First Capital Bancorp, Inc.

...Where People Matter

BUILDING STRONG ROOTS

ANNUAL REPORT 2007

First Capital Bancorp, Inc.

First Capital Bank focuses its business on serving the financial needs of local businesses, professionals and consumers. Since 1998, we have been dedicated to offering custom-crafted solutions to our customers. Our simple philosophy "Where People Matter" drives everything we do.

We believe that our clients deserve an experienced, knowledgeable financial partner who can provide creative banking solutions, and not just off the shelf commodity products. That's why we've built a team of banking professionals, who together have over 200 years of banking experience in the Richmond area. So whether you're a business owner, homebuilder, homeowner, executive or professional, we have the services that fit your needs.

Dear First Capital Bancorp, Inc. Shareholders and Friends...

On behalf of the Board of Directors, Advisory Boards and your dedicated team of First Capital Bank associates, we are pleased to present First Capital Bancorp, Inc.'s 2007 Annual Report — a year of challenges for our industry, yet opportunistic success for our company.

For the year ended December 31, 2007, First Capital Bancorp, Inc. reported net income of $1,742,001 or 72 cents per share, as compared to $1,571,219, or 87 cents per share, for the year ended December 31, 2006. Net income increased 10.9% over the previous year primarily due to continued sound loan growth and significantly increased non-interest income. The loan growth led to higher interest income, while non-interest income grew from enhanced mortgage group contribution and an increase in deposit related service fees. For the year, net loans grew by $94.5 Million to $294.2 Million, an increase of 47.3% over the previous year. In addition, asset quality remained very strong with only one non-accrual loan at year end (of approximately $50,000) and no ninety-day past due loans. At the same time, the Company remained committed to building prudent loan loss reserves, with 2007 year-end reserves at $2,489,066.

Total assets grew by $94.6 Million over the same period last year to $351.9 Million, an increase of 36.8%. Deposits grew to $255.1 Million, an increase of 31.3% over the previous year. The Company continues to operate in an active marketplace and relatively stable economy, enjoying double-digit growth each year since its inception in 1998. The growth in earnings over the past several years confirms the Company's ability to efficiently utilize its platform while expanding our banking franchise.

Net interest income after provision for loan losses for the year ended December 31, 2007, increased to $9,117,318, an increase of 27.2% over 2006 results. This increase was due to sound loan growth in an environment where the industry as a whole was battling a second year of significant interest margin compression. Non-interest expense increased 38.0% in 2007 primarily due to growth of the Bank franchise, including the opening of a new branch office at The James Center in Richmond's downtown financial district and investing in our first full year of growth at our new Forest Office Park branch. In addition, the Company was successful in attracting two top performing bankers to join its senior management team – Richard McNeil, heading up the Private Client Group, and Del Ward, leading the Business Banking Group. First Capital Bank continues to differentiate itself within the marketplace by housing commercial lenders throughout our branch franchise, and is actively seeking to expand its presence in markets served by its Private Client Group.

First Capital Bancorp, Inc. stock closed at $11.55 per share at year-end, as compared to $17.95 per share a year earlier. The Company's stock performance was unfortunately characteristic of that of the financial services industry in response to the sub-prime mortgage crisis. However, First Capital Bankcorp, Inc. does not have any sub-prime mortgage loans or investments on its balance sheet. The Company remains "well capitalized" by regulatory standards and had a very successful capital offering in 2007 to support continued asset and earnings growth. In fact, with underwriting support from the local investment banking firms of Davenport & Company and Anderson & Strudwick, the offering was over subscribed within a short period. As a result, First Capital Bancorp, Inc. is very well poised to continue to grow our franchise, remain focused on earnings growth and capitalize efficiencies within our platform in a market that will naturally drive an element of "internalization" as companies adjust to a declining real estate market, resulting asset quality concerns and compressed interest rate margins.

In summary, 2007 was a highly successful year for First Capital Bancorp, Inc. The Company experienced significant growth and earnings grew at double-digit pace to hit record highs. Asset quality remained very sound while adding two highly experienced leaders. Our associates continue to have high morale and the Company enjoys an employee turnover ratio that is well below industry standards. We opened a flagship branch in downtown Richmond, significantly enhanced our Private Client Group business, and raised sufficient capital to support our growth in all these areas in the upcoming year. While the banking industry as a whole dealt with the changing dynamics of the real estate market and significant compression in net interest margin, First Capital Bancorp, Inc. was fortunate to surpass 2007 budgeted performance goals and carry strong momentum into 2008.

We hope that you share our pride in the Company's many 2007 achievements, and we graciously thank you for your support and involvement. Your First Capital Bancorp, Inc. team is highly committed to continued success and is focused on further promoting the Company's franchise while driving shareholder value. We'll continue to strategically open new offices in Central Virginia (including a Bon Air branch in the summer of 2008), remain true to our commitment to strong asset quality, constantly seek new business opportunities and strive to deliver a superior banking experience within the communities we serve. As always, we remain steadfast to the one simple principle that drives the Company's financial decisions, customer service, shareholder value and employee relations . . .

... people matter!

With warmest regards,

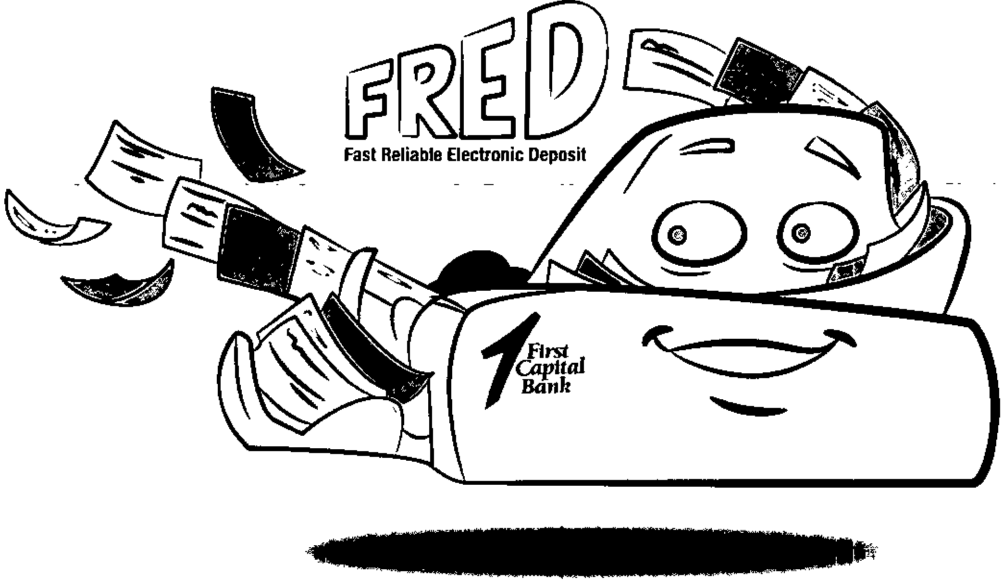
Bob Watts
President and CEO

Grant S. Grayson
Chairman of the Board

First Capital Bancorp Selected Historical Financial Information

	2007	2006	2005
		(in thousands, except per share amounts)	
Income Statement Data			
Interest income	$20,356	$15,263	$10,533
Interest expense	10,563	7,691	4,134
Net interest income	9,793	7,572	6,399
Provision for loan losses	676	404	408
Net interest income after provision for loan losses	9,117	7,168	5,991
Noninterest income	809	465	272
Noninterest expense	7,259	5,261	4,293
Income before income taxes	2,667	2,372	1,970
Income tax expense .	925	801	664
Net income	$1,742	$1,571	$1,306
Per Share Data[1]			
Basic earnings per share	$0.72	$0.87	$0.73
Diluted earnings per share	0.71	0.83	0.70
Book value per share	11.73	8.72	7.78
Balance Sheet Data			
Assets	$351,867	$257,241	$209,529
Gross loans, net of unearned income	296,723	201,585	156,062
Deposits	255,108	194,302	162,388
Shareholders' equity	34,859	15,659	13,970
Average shares outstanding, basic	2,414	1,796	1,796
Average shares outstanding, diluted	2,471	1,889	1,860
Selected Performance Ratios			
Return on average assets	0.61%	0.69%	0.72%
Return on average equity	6.80	10.74	9.70
Efficiency ratio	68.47	65.46	64.35
Net interest margin	3.54	3.41	3.68
Equity to assets	9.91	6.09	6.67
Tier 1 risk-based capital ratio	12.98	10.39	9.13
Total risk-based capital ratio	14.44	12.28	11.36
Leverage ratio	12.50	8.80	6.98
Asset Quality Ratios			
Non-performing loans to period-end loans	0.02%	0.06%	0.00%
Non-performing assets to total assets	0.01	0.05	0.00
Net loan charge-offs (recoveries) to average loans	0.01	0.02	0.02
Allowance for loan losses to loans outstanding at end of period	0.84	0.91	0.94

[1] *All per share data has been restated to reflect a three for two stock split on December 28, 2005.*



Introducing FRED, First Capital Bank's Newest Associate

FRED has many talents including making secure check deposits straight from your office. A FRED associate will install a scanner in your business and provide training. You simply scan the checks to be deposited, upload their images, balance the deposit and transmit it to our secure server. Your deposit will be posted to you account within ONE HOUR of verification. You no longer have to drive to the bank to make deposits, saving time, gas and money. You can make multiple deposits a day and FRED will take your deposits up to 6:00p.m., a 2 hour extension to our normal cut-off. FRED gives you same day account credit, easy to use technology, free custom installation and he's cute. Who wouldn't want FRED in their office? Call 804-273-1250. A FRED representative is ready with all the details on how to get FRED working for your business.

Internet Banking

Whether you're at home, at work, or on the road, First Capital Bank is here for you 24 hours a day, 7 days a week. We offer several services that let you decide when and how you want to interact with us-via telephone, ATM or online. Internet banking can help manage your finances online. In addition to accessing your account information and transferring funds, you'll also be able to export account information to Quicken, QuickBooks® or Microsoft Money and pay your bills online. After becoming an Internet Banking user, you'll find that you are able to reduce the amount of time you spend managing your finances, allowing you more time to do the things you want.

E-Statements

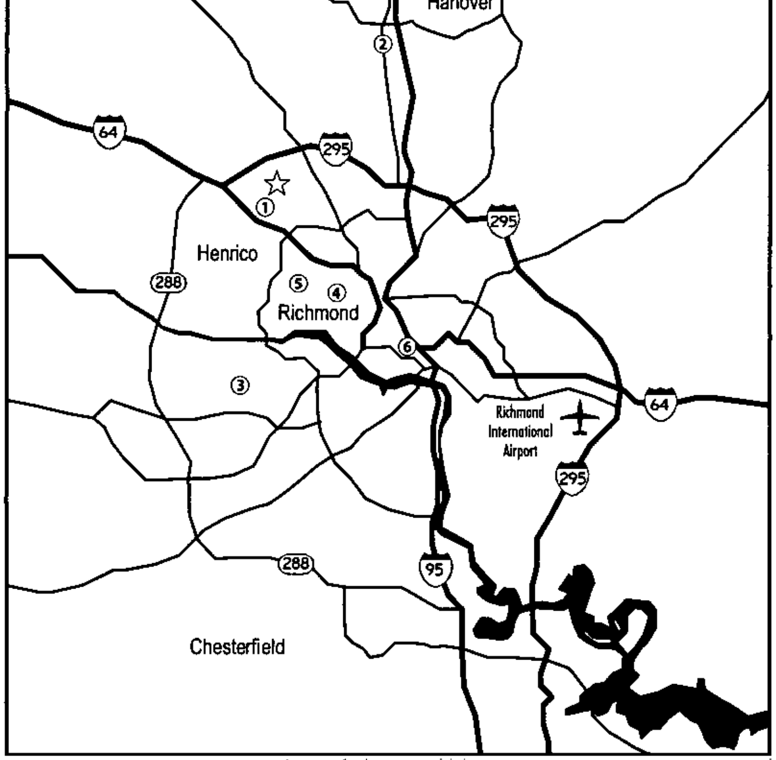
Go Green with First Capital Bank! Sign up for E-Statements today and receive your statements via our Internet Banking. You will receive an e-mail notification that your statement is waiting for your review. Save paper and time. You can view, print or download your statements directly from Internet Banking.

Online Bill Pay Overview

Online Bill Pay offers you convenience, cost-savings and best of all, time savings! No more buying stamps and writing checks. Pay all your bills online anytime, anywhere-just by clicking Payment Manager from the navigation menu.

Sign up for FREE Bill Pay Today!

For more information on any of these services, please visit our website at www.1capitalbank.com or call (804) 273-1250.



Corporate Offices
4222 Cox Rd.
Glen Allen, VA 23060

Branch Offices

1. **Innsbrook**
   4101 Dominion Blvd.
   Glen Allen, VA 23060
2. **Ashland**
   409 S. Washington Hwy.
   Ashland, VA 23005
3. **Chesterfield Towne Center**
   1580 Koger Center Blvd.
   Richmond, VA 23235
4. **Staples Mill**
   1776 Staples Mill Rd.
   Richmond, VA 23230
5. **Forest Office Park**
   1504 Santa Rosa Rd.
   Richmond, VA 23229
6. **James Center**
   901 E. Cary St.
   Richmond, VA 23219

Coming Soon to Bon Air!

Jerry Meek, *Courier*

Private Client Group

First Capital Bank's Private Client Group provides the personalized, one on one service that is essential for successful businesses and wealthy individuals. These services include business and personal banking, loans of all types, cash management, financial guidance and planning to help identify and achieve your financial goals.

Richard McNeil leads our Private Client Group along with Margaret Hernandez and Barbara Caspero. This group of experienced bankers can customize services to meet all your financial needs. They bring together all the resources of First Capital Bank to form a financial partnership focused on you and your business.

Call Richard, Margaret or Barbara at (804) 644-2340 for more information.

Richard McNeal, Barbara Caspero and Margaret Hernandez

First Capital Bank in the Forest Office Park is a

Full Service Bank!

We are your local community bank that does it all. The staff at Forest Office Park is here to help you reach your financial goals. As a "full service branch," our focus is on providing convenience, value and excellent service for our clients. With our complete offering of products and **24-hour ATM, night depository services and a dedicated Commerical Lending Officer**, the Forest Office Park Branch is your single source for both skilled financial advice and truly personal service.

We hope you will stop by the Forest Office Park Branch anytime between 8:30 a.m. and 5:00 p.m., no appointment needed. ***We look forward to seeing you soon.***

Top: Melissa Eck, *Branch Manager*
Above: Shelley Putney, *AVP, Commerical Lending Officer*

The Team at First Capital

We are proud of the excellent service we offer to each and every person who comes through our doors. Listed below are the First Capital Bank team members who make that service possible and deliver it with enthusiastic professionalism every day.

Beth Adam, *Branch Manager*
Carol Adkins, *Assistant Branch Manager*
Barry Almond, *SVP/Sr. Retail Banking Leader*
Luci Armistead-Jones, *Loan Operations Specialist*
Rochelle Bauserman, *Vault Teller*
Bill Bien, *SVP/Sr. Lending Officer*
Lindsay Brown, *Customer Service Rep./Float Team*
Ann Terry Bunn, *Vault Teller*
Sarah Burgess, *Human Resources Manager*
Karen Caruthers, *Vault Teller*
Barbara Caspero, *Portfolio Manager*
Rachel Chaulklin, *Customer Service Rep./Float Team*
Dennis Coward, *Courier*
Patty Cuccia, *SVP/Operations*
Jamie Dauberman, *Customer Service Rep./Float Team*
Kimberley Davis, *Real Estate Loan Administrator*
Marnie Davis, *Branch Manager*
Cris Dudding, *Operations Wire Assistant*
Melissia Eck, *Branch Manager*
Jacquie Emond, *Teller*
Sara Everett, *Vault Teller*
Lisa Farwell, *AVP/Branch Manager*
Don Garber, *Consultant*
Ashley Guyton, *Teller*
Buffie Harer, *Vault Teller*
Desiree Harlow, *Customer Service Rep.*
Nicky Harris, *AVP/Loan Underwriting Sup. Specialist*
Citirah Harris, *Loan Support Specialist*
Kyle Hendricks, *VP/Commercial Lending Officer*
Glen Henrichs, *VP/IT Systems Administrator*
Margaret Hernandez, *AVP/Private Banker*
Brad Hildebrandt, *EVP/Sr. Credit Officer*
Ann Hillsman, *SVP/Construction & Mortgage Lending*
Lee Hockensmith, *Teller*
Christy Horton, *Mortgage Loan Processor*
Synda Humphreys, *Customer Service Rep.*
Ashley Johnson, *Loan Underwriting Sup. Specialist*
Jamie Kelly, *Operations Posting Clerk*
Danielle Knightly, *Assistant Branch Manager*
Brian Lange, *AVP/Branch Manager*
Melissa Lynch, *Customer Service Rep./Float Team*
Kathy Martin, *Assistant Branch Manager*
Laura McCombs, *VP/Commercial Lending Officer*
Missy McGhee, *Assistant Branch Manager*
Richard McNeil, *SVP/Private Client Group Leader*
Jerry Meek, *Courier*
Michael Mercatante, *AVP/Security & BSA Officer*
Jo Ann Mills, *Teller*
Kim Mulvehill, *AVP/Human Resources Director*
Anh Nguyen, *Operations Specialist*
Beth Nilles, *VP/Lending Administration*
Ashley Nuttle, *Assistant Branch Manager*
Beth O'Donnell, *Branch Manager*
Karen Plummer, *Branch Manager*
Shelley Putney, *AVP/Commercial Lending Officer*
Donna Radogna, *AVP/Construction Loan Admin. Specialist*
Mary Randolph, *Compliance Consultant*
Will Ranson, *SVP/Chief Financial Officer*
Stacy Ray, *Senior Loan Support Specialist*
Peggy Robbins, *Float Team Manager*
Teresa Salvia, *Real Estate Loan Administrator*
Ray Santelli, *VP/Commercial Lending Officer*
Terri Santora, *Retail Banking Center Liaison*
Jeane Schall, *Sr. Management Assistant/Receptionist*
Jessica Scimone, *Assistant Branch Manager*
Suzanne Shulman, *Vault Teller*
Daily Stern, *Loan Review Specialist*
Zenola Studwood, *Teller*
Kate Wagner, *SVP/Chief Operating Officer*
Monica Walsh, *Mortgage Officer*
Del Ward, *SVP/Business Banking Team Leader*
Kendra Washman, *Portfolio Manager*
Bob Watts, *CEO/President*


Melissa Lynch
Customer Rep.


Sara Everett,
Vault Teller


Buffie Harer
Vault Teller


Zenola Studwood
Teller


Peggy Robbins
Float Team Manager


Synda Humphreys
Customer Service Rep.

Helping You Reach Your Financial Goals

Wall Street Investing — Right Here at Home

Now more than ever, it makes sense to invest with local people you know and trust. Through First Capital Investment Group, we offer all the financial capabilities found at other brokerage firms, but with the personal service and convenience found only at your community bank.

A Personalized Approach For Your Financial Future

Whatever your investment needs, we'll help you establish financial goals and objectives, and then create a detailed plan for achieving them based on your resources and risk tolerances.

Every Available Investment Solution

You deserve the complete range of investment choices when pursuing your financial goals. So we offer both standard brokerage and specialized solutions in every branch.

- Mutual Funds
- Stocks
- Government Bonds
- Corporate Bonds
- Municipal Bonds
- Options
- Unit Investment Trusts (UITs)
- Self-Directed IRAs
- Roth IRAs
- 529 College Savings Plans
- Investment Advisory Accounts
- Trust Accounts*
- Asset Allocation Accounts
- Fixed Annuities
- Variable Annuities
- Life Insurance*
- Long Term Care Insurance*
- Alternative Investments

* Through various third parties.

Serving Your Business Investment Needs

We can help businesses with investment needs — including setting up retirement plans for company owners and employees.

FirstCapital
INVESTMENT GROUP

Advisory Boards

Board of Directors

Name	Principal Occupation
Seated right to left:	
Grant S. Grayson	Chairman, First Capital Bank; Partner in the law firm of Cantor Arkema, P.C.
Robert G. Watts, Jr.	President and CEO, First Capital Bank.
Richard W. Wright	Vice-Chairman, First Capital Bank; Investor and Former Chairman, James River Group, an Insurance Holding Company.
Standing right to left:	
Dr. Kamlesh N. Dave	Cardiologist and Former Chief of Staff of the Southside Regional Medical Center
Debra L. Richardson	President and Owner of Business and Healthcare Solutions, PLC, which specializes in financial strategies for business and healthcare providers.
Gerald Yospin	Partner, Triangle Development Group, Richmond.
Jay M. Weinberg	Chairman Emeritus of the law firm of Hirschler Fleischer.
Thomas C. Bishop, Sr. *Director Emeritus*	Former owner of seven McDonald's franchises in the Richmond area under the name of T.C. Bishop Enterprises, Inc.
Gerald Blake	Owner and President, Select Office Systems, which sells and markets office equipment.
Yancey S. Jones	President and CEO, The Supply Room Companies, Inc./Mega Office Furniture.
Joseph C. Stiles, Jr.	Owner, Luck Cheverolet, Inc., an automobile dealership.
P.C. Amin	President of Shamin, Inc.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

Commission file number 001-33543

FIRST CAPITAL BANCORP, INC.

(Exact name of registrant as specified in its charter)

Virginia (State or other jurisdiction of Incorporation or organization)	**11-3782033** (I.R.S. Employer Identification No.)
4222 Cox Road, Suite 200 **Glen Allen, Virginia** (Address of principal executive offices)	**23060** (Zip Code)

Registrant's telephone number, including area code **(804)-273-1160**

Securities registered under Section 12(b) of the Exchange Act:
None

Securities registered under Section 12(g) of the Act:

Common Stock, $4.00 par value
(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days [x] Yes [ ] No

Check if no disclosure of delinquent filers in response to Item 405 of Regulation S-B is contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB [x]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). [ ] Yes [x] No

State issuer's revenues for its most recent fiscal year: $21,165,334.

State the aggregate market value of the voting stock held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within the past 60 days. The aggregate market value of the voting stock held by non-affiliates computed based on a sale price of $12.62 for the Bank's common stock on March 18, 2008 is approximately $30,796,000.

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes [ ] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 2,971,171 Shares of Common Stock, $4.00 par value

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the Proxy Statement for the Annual Meeting of Stockholders (Part III)

Transitional Small Business Disclosure Format (Check One): Yes[ ] No [x]

FIRST CAPITAL BANCORP, INC.

FORM 10-KSB

Fiscal Year Ended December 31, 2007

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PART I

Company

First Capital Bancorp, Inc. is a bank holding company headquartered in Glen Allen, Virginia. We conduct our primary operations through our wholly-owned subsidiary, First Capital Bank, which opened for business in 1998.

We emphasize personalized service, access to decision makers and a quick turn around time on lending decisions. Our slogan is "Where People Matter." We have a management team, officers and other employees with extensive experience in our primary market which is the Richmond, Virginia metropolitan area. We strive to develop personal, knowledgeable relationships with our customers, while at the same time offering products comparable to those offered by larger banks in our market area.

First Capital Bank operates six full service branch offices (alternatively referred to herein as "branches" and "offices"), throughout the greater Richmond metropolitan area. Our bank engages in a general commercial banking business, with a particular focus on the needs of small and medium-sized businesses and their owners and key employees and the professional community. We also offer a wide range of investment products and services through First Capital Investment Group in association with BI Investments, LLC, a registered brokerage firm formed as a joint venture with other Virginia based community banks.

We continue to experience growth in both assets and profitability. As of December 31, 2007, we had assets of $351.9 million, a $94.6 million, or 36.8%, increase from December 31, 2006. This followed an increase in assets during 2006 of 22.8% over our December 31, 2005 balance of $209.5 million. For 2007, our net income was $1.7 million, an increase of 10.9% compared to our net income for 2006. Our earnings per diluted share for 2007 were $0.71 compared to $0.83 and $0.70 for 2006 and 2005, respectively.

CAUTION ABOUT FORWARD-LOOKING STATEMENTS

Certain information contained in this Report on Form 10-KSB may include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are generally identified by phrases such as "we expect," "we believe" or words of similar import.

Such forward-looking statements involve known and unknown risks including, but not limited to, the following factors:

- the ability to successfully manage our growth or implement our growth strategies if we are unable to identify attractive markets, locations or opportunities to expand in the future;
- our ability to continue to attract low cost core deposits to fund asset growth;
- changes in interest rates and interest rate policies and the successful management of interest rate risk;
- maintaining cost controls and asset quality as we open or acquire new locations;
- maintaining capital levels adequate to support our growth and operations;
- changes in general economic and business conditions in our market area;

- reliance on our management team, including our ability to attract and retain key personnel;
- risks inherent in making loans such as repayment risks and fluctuating collateral values;
- competition with other banks and financial institutions, and companies outside of the banking industry, including those companies that have substantially greater access to capital and other resources;
- demand, development and acceptance of new products and services;
- problems with technology utilized by us;
- changing trends in customer profiles and behavior;
- changes in banking and other laws and regulations applicable to us; and
- other factors described in "Risk Factors" above.

Although we believe that our expectations with respect to the forward-looking statements are based upon reliable assumptions within the bounds of our knowledge of our business and operations, there can be no assurance that our actual results, performance or achievements will not differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

ITEM 1. DESCRIPTION OF BUSINESS

General

First Capital Bancorp, Inc. is a bank holding company that was incorporated under Virginia law in 2006. Pursuant to a statutory share exchange that was effective on September 8, 2006, we became a bank holding company. We conduct our primary operations through our wholly owned subsidiary, First Capital Bank, which is chartered under Virginia law. We have one other wholly owned subsidiary, FCRV Statutory Trust 1, which is a Delaware Business Trust that we formed in connection with the issuance of trust preferred debt in September, 2006.

Our principal executive offices are located at 4222 Cox Road, Suite 200, Glen Allen, Virginia 23060, and our telephone number is (804) 273-1160. We maintain a website at www.1capitalbank.com.

First Capital Bank, a Virginia banking corporation headquartered in Glen Allen, Virginia, was incorporated under the laws of the Commonwealth of Virginia as a state-chartered bank in 1997. The bank is a member of the Federal Reserve System and began banking operations in late 1998. The bank is a community oriented financial institution that offers a full range of banking and related financial services to small and medium-sized businesses, professionals and individuals located in its market area. This market area consists of the Richmond, Virginia metropolitan area, with a current emphasis on western Henrico County, Chesterfield County, the City of Richmond, the Town of Ashland, and the surrounding vicinity. The bank's goal is to provide its customers with high quality, responsive and technologically advanced banking services. In addition, the bank strives to develop personal, knowledgeable relationships with its customers, while at the same time it offers products comparable to those offered by larger banks in its market area. We believe that the marketing of customized banking services has enabled the bank to establish a niche in the financial services marketplace in the Richmond metropolitan area.

The bank currently conducts business from its executive offices and six branch locations. See "Item 2 – Description of Property".

Products and Services

We offer a full range of deposit services that are typically available in most banks including checking accounts, NOW accounts, savings accounts and other time deposits of various types, ranging from daily money market accounts to longer-term certificates of deposit. The transaction accounts and time certificates are tailored to our market area at rates competitive to those offered in the area. In addition, we offer certain retirement account services, such as Individual Retirement Accounts (IRAs). All deposit accounts are insured by the FDIC up to the maximum amount allowed by law (generally, $100,000 per depositor, subject to aggregation rules).

We also offer a full range of short-to-medium term commercial and consumer loans. Commercial loans include both secured and unsecured loans for working capital (including inventory and receivables), business expansion (including acquisition of real estate and improvements) and purchase of equipment and machinery. Consumer loans include secured (and unsecured loans) for financing automobiles, home improvements, education and personal investments. Additionally, we originate fixed and floating-rate mortgage and real estate construction and acquisition loans.

Other services offered by us include safe deposit boxes, certain cash management services, traveler's checks, direct deposit of payroll and social security checks and automatic drafts for various accounts, selected on-line banking services and a small and medium-sized businesses courier service. We also have become associated with a shared network of automated teller machines (ATMs) that may be used by our customers throughout Virginia and other states located in the Mid-Atlantic region.

In late September, 2004, First Capital Bank introduced First Capital Investment Group, a division of the bank that provides full service investment services through licensed representatives as well as supporting annuity sales through our retail bank group. The bank owns a minority interest (approximately 1%) in BI Investments, LLC, a joint venture with the Virginia Bankers' Association and many other community banks in Virginia, which provides support to First Capital Investment Group. This interest in BI Investments, LLC is not material to our operations.

Our Market Area

Our primary market is the Richmond, Virginia metropolitan area, which includes Chesterfield County, Henrico County, Hanover County, the Town of Ashland and the City of Richmond. Richmond is the capital of Virginia. All of our branches are located in the Richmond metropolitan area.

The Richmond metropolitan area is the third-largest metropolitan area in Virginia and is one of the state's top growth markets based on population and median household income. The population of the Richmond metropolitan area has continued to increase in recent years, with current information from the Virginia Employment Commission showing a population in excess of 1,150,000 persons. According to the U.S. Census Bureau, the population in the Richmond metropolitan area grew by over 15% from 1990 to 2000, and an increase of 12% is projected for the period between 2000 and 2010. In addition, median household income for the Richmond metropolitan area grew 23% from 2000 to 2006 and is projected to grow an additional 17% through 2011. In 2006, the Richmond metropolitan area had a median household income approximately 9% higher than the national median household income.

Our market area enjoys a balanced and diversified economy with a broad array of employers and industries which shield the area from any recessions specific to one sector. Nearly all sectors of the local economy are currently sharing in the area's economic growth, with the driving force behind the economy being private education and healthcare. The unemployment rate for the Richmond metropolitan area is less than 3%, and has consistently ranked among the five areas with the lowest unemployment rate among the nation's 50-largest metropolitan areas.

The population of Henrico County, the location of our headquarters and first branch office, increased by 20% between 1990 and 2000 and an additional 10% between 2000 and 2006 to around 290,000 persons. The median household income for Henrico County in 2006 was approximately $60,000, or 17% above the national median, and increased 23% since 2000. Chesterfield and Hanover Counties each had 2006 median incomes of approximately $72,000. Together with Henrico County, we expect to focus our growth in Chesterfield and Hanover Counties as we build our branch system. Chesterfield and Hanover Counties have also experienced significant growth in median household income and population from 2000 to 2006, with both counties' median household income growing 22% and population growing 16%. Population growth in the City of Richmond has historically been slow as residents continue to move to the suburbs, but the median household income projections for the City of Richmond are positive with median household income projected to increase 17% from 2006 to 2011.

Major employers in the Richmond metropolitan area include federal and state agencies, major health facilities, educational institutions, and various medium-sized and large corporations. Philip Morris USA, Universal Corporation, Dominion Resources, CarMax, and Circuit City Group are some of the larger corporations headquartered in Richmond. Other major employers in the private sector include Alcoa, CSX Corporation, DuPont, Honeywell, Tyson Foods and Wyeth Pharmaceuticals, as well as Bon Secours, CJW and Henrico Doctor's medical institutions. Richmond also serves as headquarters for the Fifth Federal Reserve District.

Our market area has been subject to large scale consolidation of local banks, primarily by larger, out-of-state financial institutions. We believe that there is a large customer base in our market area that prefers doing business with a local institution. We seek to fill this banking need by offering timely personalized service, while making it more convenient by continuing to build our branch network throughout the Richmond metropolitan area where our customers live and work. To that end, in 2002, we initiated a branching strategy to better ensure that our branch network covers more of the markets in which our customers live and conduct business. We have made significant investments in our infrastructure and believe our current operating platform is sufficient to support a substantially larger banking institution without incurring meaningful additional expenses.

Business Strategy

Hire experienced, local bankers. Our strategy has revolved around the hiring of experienced, local banking professionals and relationship managers to originate loans and deposits, call on customers and lead our branches. These officers have been able to attract customers with which they have built relationships over the years, typically allowing the officers to enhance our deposit and loan production immediately. We currently have 13 commercial loan officers who have an average of 19 years of experience in the Richmond metropolitan banking market and have operated in our market area through a wide range of economic cycles and lending market conditions. We intend to continue to grow and build our franchise by hiring experienced local lenders and other bankers. We recently enhanced our market presence by hiring additional lenders in the private banking, business lending and construction lending arenas.

Continue the growth of our delivery system. Due to the economic growth in the Richmond metropolitan area and the consolidation of our local competitors, management believes that continued expansion of our delivery system will contribute to long-term growth and increased value. Accordingly, we expect to continue to open branches in the Richmond metropolitan area and anticipate that we will open one to two additional branches each year over the next five years, with the goal of having a total of

10 to 12 branches open at the end of this time frame. In the past twelve months, we opened our James Center office. The James Center office is located in the heart of downtown Richmond's financial and professional district, strategically placing us within a significant core of clients and prospects uniquely suited for the expansion of our Private Client Group.

A principal component of this expansion program has been to identify attractive locations for opening new branches that either complement our existing branch system, provide access to new customers within our market area or strategically match the addition of a key lender/leader to our team (as was the case with the James Center Office). We believe that the demographics and growth characteristics of the Richmond metropolitan area should also provide significant opportunities for us to continue to grow loan and deposit relationships within our existing branch network. We complement this branch network with free online banking services (for businesses and individuals), our remote deposit initiative and our business courier service. During January 2008, we purchased land across for our leased Innsbrook Office to relocate that office to a free standing building. Construction began in March 2008 and is estimated to be completed in the third quarter of 2008 at a cost including land of approximately $2.8 million. Also in January 2008, we entered into a contract to purchase land in Chesterfield County need Route 288 for a future branch location for $1.9 million.

Diversify our product and service offerings with the goal of increasing our non-interest income. The strength of the Richmond metropolitan area has allowed us to more effectively realize contributions to earnings from non-interest sources, primarily document preparation fees, monthly core deposit service charges and origination fees from our mortgage operations. We would expect our fees in these areas to grow significantly in 2008 and beyond. In particular, monthly core deposit service charges should see a material increase given our aggressive commitment to capturing small to medium-sized business deposits through our 2008 remote deposit initiative and our recent key hires in the Private Client Group and Business Banking arenas. We are becoming increasingly sophisticated in our ability to analyze customer relationships, which improves our ability to recognize opportunities to offer additional products and services that will expand these relationships and our non-interest income. We also expect to continue to grow non-interest income from the sale of investment products and services through First Capital Investment Group and in association with BI Investments, LLC, a registered brokerage firm formed as a joint venture with other Virginia based community banks.

Maintain our excellent asset quality. While our loan portfolio has experienced rapid growth, we have consistently maintained excellent asset quality. We believe that our strong asset quality is the result of a stable local economy, prudent underwriting standards, effective lending processes, timely follow-up on delinquencies, and the experience of our loan officers. We have the unique advantage of having four former Senior Lending Officers within our lending ranks, each having their own distinct market expertise. At December 31, 2007, we had one nonaccrual loan in the amount of $50,000 and no ninety-day past due loans. The nonaccrual loan has an SBA $25,000 guarantee and no loss is anticipated. We have also experienced minimal net charge offs over the last five years. Sound asset quality will always remain one of our strategic business objectives.

Emphasize relationship banking. A cornerstone of our business strategy is a commitment to customer service that is built around a personalized relationship. We hire local bankers with extensive business relationships who have experience in the Richmond community in originating and administering loans. In fact, all of our senior officers have spent most if not all their lives and banking careers in Richmond. We leverage our core relationships by providing our customers access to decision makers, customized loan products, and quick turn around time on lending decisions. Our experience indicates that by focusing on the relationship, "Where People Matter", we are able to make good quality, profitable loans which will continue to be the foundation of our approach to business.

Employees

As of March 20, 2008, we had a total of 69 full time equivalent employees. We consider relations with our employees to be excellent. Our employees are not represented by a collective bargaining unit.

Competition

We compete as a financial intermediary with other commercial banks, savings and loan associations, credit unions, mortgage banking firms, consumer finance companies, securities brokerage firms, insurance companies, money market mutual funds and other financial institutions operating in the Richmond metropolitan area and elsewhere. Many of our non-bank competitors are not subject to the same extensive federal regulations that govern federally-insured banks and state regulations governing state chartered banks. As a result, such non-bank competitors may have certain advantages over us in providing certain services.

Our primary market area is a highly competitive, highly branched banking market. Competition in the market area for loans to small and medium-sized businesses and professionals is intense, and pricing is important. Many of our competitors have substantially greater resources and lending limits than us and offer certain services, such as extensive and established branch networks, that we are not currently providing. Moreover, larger institutions operating in the Richmond metropolitan area have access to borrowed funds at lower cost than the funds that are presently available to us. Deposit competition among institutions in the market area also is strong. Competition for depositors' funds comes from U.S. Government securities, private issuers of debt obligations and suppliers of other investment alternatives for depositors, among other sources. As a result, we have paid, and may in the future pay, above-market rates to attract deposits.

Governmental Monetary Policies

Our earnings and growth are affected not only by general economic conditions, but also by the monetary policies of various governmental regulatory authorities, particularly the FRB. The FRB implements national monetary policy by its open market operations in United States Government securities, control of the discount rate and establishment of reserve requirements against both member and nonmember financial institutions' deposits. These actions have a significant effect on the overall growth and distribution of loans, investments and deposits, as well as the rates earned on loans, or paid on deposits.

Our management is unable to predict the effect of possible changes in monetary policies upon our future operating results.

Lending Activities

Credit Policies

The principal risk associated with each of the categories of loans in our portfolio is the creditworthiness of our borrowers. Within each category, such risk is increased or decreased, depending on various factors. The risks associated with real estate mortgage loans, commercial loans and consumer loans vary based on employment levels, consumer confidence, fluctuations in the value of real estate and other conditions that affect the ability of borrowers to repay indebtedness. The risk associated with real estate construction loans varies based on the supply and demand for the type of real estate under construction. In an effort to manage these risks, we have loan amount approval limits for individual loan officers based on their position and level of experience.

We have written policies and procedures to help manage credit risk. We use a loan review process that includes a portfolio management strategy, guidelines for underwriting standards and risk assessment, procedures for ongoing identification and management of credit deterioration, and annual independent third party portfolio reviews to establish loss exposure and to monitor compliance with policies. Our loan approval process includes our Management Loan Committee, the Loan Committee of the Board of Directors and, for larger loans, the Board of Directors. Our Senior Credit Officer is responsible for reporting to the Directors monthly on the activities of the Management Loan Committee and on the status of various delinquent and non-performing loans. The Loan Committee of the Board of Directors also reviews lending policies proposed by management. Our Board of Directors establishes our total lending limit and approves proposed lending policies approved by the Loan Committee of the Board.

Loan Originations

Real estate loan originations come primarily through direct solicitations by our loan officers, continued business from current customers, and through referrals. Construction loans are obtained by solicitations of our construction loan officers and continued business from current customers. Commercial real estate loan originations are obtained through broker referrals, direct solicitation by our loan officers and continued business from current customers. We may also purchase loan participations from other community banks in Virginia.

Our loan officers, as part of the application process, review all loan applications. Information is obtained concerning the income, financial condition, employment and credit history of the applicant. If commercial real estate is involved, information is also obtained concerning cash flow available for debt service. Loan quality is analyzed based on our experience and credit underwriting guidelines. Real estate collateral for loans in excess of $250 thousand are appraised by independent appraisers who have been pre-approved by meeting the requirement of providing a current and valid license certification and based on the lender's experience with these appraisers. Evaluations for real estate collateral for loans less than $250 thousand are made by the loan officer.

In the normal course of business, we make various commitments and incur certain contingent liabilities that are disclosed but not reflected in our annual financial statements including commitments to extend credit. At December 31, 2007, commitments to extend credit totaled $147.4 million.

Construction Lending

We make local construction and land acquisition and development loans. Residential houses and commercial real estate under construction and the underlying land secure construction loans. At December 31, 2007, construction, land acquisition and land development loans outstanding were $79.1 million, or 26.6% of total loans. These loans are concentrated in our local markets. The average life of a construction loan is less than one year. Because the interest rate charged on these loans usually floats with the market, these loans assist us in managing our interest rate risk. Construction lending entails significant additional risks, compared to residential mortgage lending. Construction loans often involve larger loan balances concentrated with single borrowers or groups of related borrowers. In addition, the value of the building under construction is only estimable when the loan funds are disbursed. Thus, it is more difficult to evaluate accurately the total loan funds required to complete a project and related loan-to-value ratios. To mitigate the risks associated with construction lending, we generally limit loan amounts to 80% of appraised value in addition to analyzing the creditworthiness of the borrowers. We also obtain a first lien on the property as security for construction loans and typically require personal guarantees from the borrower's principal owners.

Commercial Business Loans

Commercial business loans generally have a higher degree of risk than loans secured by real property but have higher yields. To manage these risks, we generally obtain appropriate collateral and personal guarantees from the borrower's principal owners and monitor the financial condition of its business borrowers. Residential mortgage loans generally are made on the basis of the borrower's ability to make repayment from employment and other income and are secured by real estate whose value tends to be readily ascertainable. In contrast, commercial business loans typically are made on the basis of the borrower's ability to make repayment from cash flow from its business and are secured by business assets, such as commercial real estate, accounts receivable, equipment and inventory. As a result, the availability of funds for the repayment of commercial business loans is substantially dependent on the success of the business itself. Furthermore, the collateral for commercial business loans may depreciate over time and generally cannot be appraised with as much precision as residential real estate. We have a loan review and monitoring process to regularly assess the repayment ability of commercial borrowers. At December 31, 2007, commercial loans totaled $44.4 million, or 14.9% of the total loan portfolio.

Commercial Real Estate Lending

Commercial real estate loans are secured by various types of commercial real estate in our market area including commercial buildings and offices, recreational facilities, small shopping centers, churches and hotels. At December 31, 2007, commercial real estate loans totaled $86.3 million, or 29.1% of our total loans. We may lend up to 80% of the secured property's appraised value. Commercial real estate lending entails significant additional risk, compared with residential mortgage lending. Commercial real estate loans typically involve larger loan balances concentrated with single borrowers or groups of related borrowers. Additionally, the payment experience on loans secured by income producing properties is typically dependent on the successful operation of a business or a real estate project and thus may be subject, to a greater extent, to adverse conditions in the real estate market or in the economic environment. Our commercial real estate loan underwriting criteria requires an examination of debt service coverage ratios, the borrower's creditworthiness and prior credit history and reputation, and we typically require personal guarantees or endorsements of the borrowers' principal owners. In addition, we carefully evaluate the location of the security property.

Residential Real Estate Lending

Residential one-to-four mortgage loans at December 31, 2007, accounts for $83.0 million, or 28.0% of our total loan portfolio. Residential first mortgage loans represent $47.3 million or 56.9% of total residential real estate loans. Land loans represent $18.0 million or 21.7% of total residential real estate loans. Multifamily and home equity loans represent $4.1 million and $9.1 million, respectively, and junior liens account for $4.6 million of total residential real estate loans.

All residential mortgage loans originated by us contain a "due-on-sale" clause providing that we may declare the unpaid principal balance due and payable upon sale or transfer of the mortgaged premises. In connection with residential real estate loans, we require title insurance, hazard insurance and if required, flood insurance. We do not require escrows for real estate taxes and insurance.

Consumer Lending

We offer various secured and unsecured consumer loans, including unsecured personal loans and lines of credit, automobile loans, boat loans, deposit account loans, installment and demand loans and credit cards. At December 31, 2007, we had consumer loans of $4.1 million or 1.4% of total loans. Such loans are generally made to customers with whom we have a pre-existing relationship. We currently originate all of our consumer loans in our market area.

Consumer loans may entail greater risk than residential mortgage loans, particularly in the case of consumer loans that are unsecured, such as loans secured by rapidly depreciable assets such as automobiles. Any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment as a result of the greater likelihood of damage, loss or depreciation. Due to the relatively small amounts involved, any remaining deficiency often does not warrant further substantial collection efforts against the borrower. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy.

The underwriting standards we employ to mitigate the risk for consumer loans include a determination of the applicant's payment history on other debts and an assessment of their ability to meet existing obligations and payments on the proposed loan. The stability of the applicant's monthly income may be determined by verification of gross monthly income from primary employment and from any verifiable secondary income. Although creditworthiness of the applicant is of primary consideration, the underwriting process also includes an analysis of the value of the security in relation to the proposed loan amount.

SUPERVISION AND REGULATION

General

As a bank holding company, we are subject to regulation under the Bank Holding Company Act of 1956, as amended, and the examination and reporting requirements of the Board of Governors of the FRB. As a state-chartered commercial bank, First Capital Bank is subject to regulation, supervision and examination by the Virginia State Corporation Commission's Bureau of Financial Institutions (the "BFI"). It is also subject to regulation, supervision and examination by the FRB. Other federal and state laws, including various consumer and compliance laws, govern the activities of the bank, the investments that it makes and the aggregate amount of loans that it may grant to one borrower.

The following description summarizes the significant federal and state laws applicable to us and our subsidiary. To the extent that statutory or regulatory provisions are described, the description is qualified in its entirety by reference to that particular statutory or regulatory provision.

First Capital Bancorp, Inc.

Bank Holding Company Act. As a bank holding company, we are subject to regulation under the Bank Holding Company Act of 1956, as amended ("BHC Act"), and we are registered as such with, and are subject to examination by, the FRB. Pursuant to the BHC Act, we are subject to limitations on the kinds of business in which we can engage directly or through subsidiaries. We are permitted to manage or control banks. Generally, however, we are prohibited, with certain exceptions, from acquiring direct or indirect ownership or control of more than five percent of any class of voting shares of an entity engaged in non-banking activities, unless the FRB finds such activities to be "so closely related to banking" as to be deemed "a proper incident thereto" within the meaning of the BHC Act. Activities at the bank holding company level are limited to:

- banking, managing or controlling banks;
- furnishing services to or performing services for its subsidiaries; and

- engaging in other activities that the FRB has determined by regulation or order to be so closely related to banking as to be a proper incident to these activities.

Bank acquisitions by bank holding companies are also regulated. A bank holding company may not acquire more than five percent of the voting shares of another bank without prior approval of the FRB. The BHC Act subjects bank holding companies to minimum capital requirements. Regulations and policies of the FRB also require a bank holding company to serve as a source of financial and managerial strength to its subsidiary banks. The FRB's policy is that a bank holding company should stand ready to use available resources for assisting a subsidiary bank. Under certain conditions, the FRB may conclude that certain actions of a bank holding company, such as a payment of a cash dividend, would constitute an unsafe and unsound banking practice. Some of the activities that the FRB has determined by regulation to be proper incidents to the business of a bank holding company include making or servicing loans and specific types of leases, performing specific data processing services and acting in some circumstances as a fiduciary or investment or financial adviser. The only activity in which we are engaged is the operation of First Capital Bank. We have no present intention to engage in any other permitted activities. However, we may determine to engage in additional activities if it is deemed to be in our best interests.

With some limited exceptions, the BHC Act requires every bank holding company to obtain the prior approval of the FRB before:

- acquiring substantially all the assets of any bank;
- acquiring direct or indirect ownership or control of any voting shares of any bank if after such acquisition it would own or control more than 5% of the voting shares of such bank (unless it already owns or controls the majority of such shares); or
- merging or consolidating with another bank holding company.

In addition, and subject to some exceptions, the BHC Act and the Change in Bank Control Act, together with their regulations, require FRB approval prior to any person or company acquiring "control" of a bank holding company. Control is conclusively presumed to exist if an individual or company acquires 25% or more of any class of voting securities of the bank holding company. Control is rebuttably presumed to exist if a person acquires 10% or more, but less than 25%, of any class of voting securities and either has registered securities under Section 12 of the Securities Exchange Act of 1934 or no other person owns a greater percentage of that class of voting securities immediately after the transaction. The regulations provide a procedure for challenging this rebuttable control presumption.

Financial Holding Companies and Financial Activities. The Gramm-Leach-Bliley Act established a comprehensive framework to permit affiliations among commercial banks, insurance companies, securities firms, and other financial service providers by revising and expanding the BHC Act framework to permit a holding company system to engage in a full range of financial activities through qualification as a new entity known as a financial holding company. We have not determined whether to become a financial holding company, but we may consider such a conversion in the future if it appears to be in our best interest.

Dividends. No Virginia corporation may make any distribution to stockholders if, after giving it effect, (i) the corporation would not be able to pay its existing and reasonably foreseeable debts, liabilities and obligations, whether or not liquidated, matured, asserted or contingent, as they become due in the usual course of business; or (ii) the corporation's total assets would be less than the sum of its total liabilities plus, the amount that would be needed if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution.

In a policy statement, the FRB has advised bank holding companies that it believes that payment of cash dividends in excess of current earnings from operations is inappropriate and may be cause for supervisory action. As a result of this policy, banks and their holding companies may find it difficult to pay dividends out of retained earnings from historical periods prior to the most recent fiscal year or to take advantage of earnings generated by extraordinary items such as sales of buildings or other large assets in order to generate profits to enable payment of future dividends.

The primary source of funds for payment of dividends by us to our stockholders will be the receipt of dividends and interest from First Capital Bank. Our ability to receive dividends from First Capital Bank will be limited by applicable law. The power of the board of directors of an insured depository institution to declare a cash dividend or other distribution with respect to capital is subject to statutory and regulatory restrictions which limit the amount available for such distribution, depending upon the earnings, financial condition and cash needs of the institution, as well as general business conditions. Federal law prohibits insured depository institutions from making capital distributions, including dividends, if after such transaction, the institution would be undercapitalized. A bank is undercapitalized for this purpose if its leverage ratio, Tier 1 risk-based capital ratio and total risk-based capital ratio are not at least 5%, 6% and 10%, respectively. See "Regulatory Capital Requirements" below.

The FRB has authority to prohibit a bank holding company from engaging in practices which are considered to be unsafe and unsound. Depending upon the financial condition of First Capital Bank and upon other factors, the FRB could determine that the payment of dividends or other payments by us or First Capital Bank might constitute an unsafe or unsound practice. Finally, any dividend that would cause a bank to fall below required capital levels could also be prohibited.

Regulatory Capital Requirements. State banks and bank holding companies are required to maintain a minimum risk capital ratio of 10% (at least 5% in the form of Tier 1 capital) of risk-weighted assets and off-balance sheets items. Tier 1 capital consists of common equity, noncumulative perpetual preferred stock and minority interest in the equity accounts of consolidated subsidiaries and excludes goodwill. Tier 2 capital consists of cumulative perpetual preferred stock, limited-life preferred stock, mandatory convertible securities, subordinated debt and (subject to a limit of 1.25% of risk-weighted assets) general loan loss reserves. In calculating the relevant ratio, a bank's assets and off-balance sheet commitments are risk-weighted: thus, for example, most commercial loans are included at 100% of their book value while assets considered less risky are included at a percentage of their book value (e.g., 20% for interbank obligations and 0% for vault cash and U.S. treasury securities).

We are subject to leverage ratio guidelines as well. The leverage ratio guidelines require maintenance of a minimum ratio of 3% Tier 1 capital to total assets for the most highly rated organizations. Institutions that are less highly rated, anticipating significant growth or subject to other significant risks will be required to maintain capital levels ranging from 1% to 2% above the 3% minimum.

Recent federal regulation established five tiers of capital measurement ranging from "well capitalized" to "critically undercapitalized." Federal bank regulatory authorities are required to take prompt corrective action with respect to inadequately capitalized banks. If a bank does not meet the minimum capital requirement set by its regulators, the regulators are compelled to take certain actions, which may include prohibition on payment of dividends to its holding company or requiring the adoption of a capital restoration plan which must be guaranteed by the bank's holding company.

Cross-Institution Assessments. Any insured depository institution owned by us can be assessed for losses incurred by the FDIC in connection with assistance provided to, or the failure of, any other depository institution owned by us.

First Capital Bank

First Capital Bank is subject to various state and federal banking laws and regulations that impose specific requirements or restrictions on and provide for general regulatory oversight with respect to virtually all aspects of its operations. The following is a brief summary of the material provisions of certain statutes, rules and regulations that affect First Capital Bank. This summary is qualified in its entirety by reference to the particular statutory and regulatory provisions referred to below.

General. First Capital Bank is under the supervision of, and subject to regulation and examination by, the BFI and FRB. As such, First Capital Bank is subject to various statutes and regulations administered by these agencies that govern, among other things, required reserves, investments, loans, lending limits, acquisitions of fixed assets, interest rates payable on deposits, transactions among affiliates and First Capital Bank, the payment of dividends, mergers and consolidations, and establishment of branch offices. As noted previously, First Capital Bank is a member of the Federal Reserve System. As such, the FRB, as the primary federal regulator of First Capital Bank, has the authority to impose penalties, initiate civil and administrative actions, and take other steps to prevent First Capital Bank from engaging in unsafe and unsound practices.

Mergers and Acquisitions. Under federal law, previously existing restrictions on interstate bank acquisitions were abolished effective September 29, 1995, and since such date bank holding companies from any state have been able to acquire banks and bank holding companies located in any other state. Effective June 1, 1997, the law allows banks to merge across state lines, subject to earlier "opt-in" or "opt-out" action by individual states. The law also allows interstate branch acquisitions and de novo branching if permitted by the "host state." Effective July 1, 1995, Virginia adopted early "opt-in" legislation which permits interstate bank mergers. Virginia law also permits interstate branch acquisitions and de novo branching if reciprocal treatment is accorded Virginia banks in the state of the acquirer.

Although the above laws had the potential to have a significant impact on the banking industry, it is not possible for our management to determine, with any degree of certainty, the impact such laws have had on First Capital Bank.

Financial Services Legislation. On November 1, 1999, then President Clinton signed into law the Gramm-Leach-Bliley Act of 1999 (the "GLB Act"). The GLB Act implemented fundamental changes in the regulation of the financial services industry in the United States, further transforming the already converging banking, insurance and securities industries by permitting further mergers and affiliations which will combine commercial banks, insurers and securities firms under one holding company. Many of these changes are discussed above.

The provisions of the GLB Act have had a significant impact on the banking industry in general. However, it is not possible for us to determine, with any degree of certainty at this time, the impact that such provisions have had on First Capital Bank and its operations.

Dividends. The amount of dividends payable by First Capital Bank depends upon its earnings and capital position, and is limited by federal and state law, regulations and policy. In addition, Virginia law imposes restrictions on the ability of all banks chartered under Virginia law to pay dividends. Under such law, no dividend may be declared or paid that would impair a bank's paid-in capital. Each of the BFI and the FDIC have the general authority to limit dividends paid by First Capital Bank if such payments are deemed to constitute an unsafe and unsound practice. In particular, Section 38 of the Federal Deposit Insurance Act ("FDIA") would prohibit First Capital Bank from making a dividend if it were "undercapitalized" or if such dividend would result in the institution becoming "undercapitalized."

Under current supervisory practice, prior approval of the FRB is required if cash dividends declared in any given year exceed the total of First Capital Bank's net profits for such year, plus its retained profits for the preceding two years. In addition, First Capital Bank may not pay a dividend in an amount greater than its undivided profits then on hand after deducting current losses and bad debts. Federal law further provides that no insured depository institution may make any capital distribution (which would include a cash dividend) if, after making the distribution, the institution would not satisfy one or more of its minimum capital requirements.

Insurance of Accounts, Assessments and Regulation by the FDIC

The deposits of the bank are insured by the FDIC up to the limits set forth under applicable law. The deposits of First Capital Bank are subject to the deposit insurance assessments of the Deposit Insurance Fund of the FDIC.

The FDIC recently amended its risk-based deposit assessment system for 2007 to implement authority granted by the Federal Deposit Insurance Reform Act of 2005. Under the revised system, insured institutions are assigned to one of four risk categories based on supervisory evaluations, regulatory capital levels and certain other factors. An institution's assessment rate depends upon the category to which it is assigned. Risk Category I, which contains the least risky depository institutions, is expected to include more than 90% of all institutions. Unlike the other categories, Risk Category I contains further risk differentiation based on the FDIC's analysis of financial ratios, examination component ratings and other information. Assessment rates are determined by the FDIC and currently range from five to seven basis points for the healthiest institutions (Risk Category I) to 43 basis points of assessable deposits for the riskiest (Risk Category IV). The FDIC may adjust rates uniformly from one quarter to the next, except that no single adjustment can exceed three basis points.

The FDIC is authorized to prohibit any insured institution from engaging in any activity that the FDIC determines by regulation or order to pose a serious threat to the Deposit Insurance Fund. Also, the FDIC may initiate enforcement actions against a bank, after first giving the institution's primary regulatory authority an opportunity to take such action. The FDIC may terminate the deposit insurance of any depository institution if it determines, after a hearing, that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, order or any condition imposed in writing by the FDIC. It also may suspend deposit insurance temporarily during the hearing process for the permanent termination of insurance, if the institution has no tangible capital. If deposit insurance is terminated, the deposits at the institution at the time of termination, less subsequent withdrawals, shall continue to be insured for a period from six months to two years, as determined by the FDIC. We are not aware of any existing circumstances that could result in termination of any of First Capital Bank's deposit insurance.

Capital Requirements. The various federal bank regulatory agencies, including the FRB, have adopted risk-based capital requirements for assessing the capital adequacy of banks and bank holding companies. Virginia chartered banks must also satisfy the capital requirements adopted by the BFI. The federal capital standards define capital and establish minimum capital requirements in relation to assets and off-balance sheet exposure, as adjusted for credit risk. The risk-based capital standards currently in effect are designed to make regulatory capital requirements more sensitive to differences in risk profile among bank holding companies and banks, to account for off-balance sheet exposure and to minimize disincentives for holding liquid assets. Assets and off-balance sheet items are assigned to broad risk categories, each with appropriate risk weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items.

The minimum requirement for the ratio of total capital to risk-weighted assets (including certain off-balance sheet obligations, such as stand-by letters of credit) is 8%. At least half of the risk-based capital must consist of common equity, retained earnings and qualifying perpetual preferred stock, less deductions for goodwill and various other tangibles ("Tier 1 capital"). Tier 2 capital includes the hybrid capital instruments and other debt securities, preferred stock and a limited amount of the general valuation allowance for loan losses. The sum of Tier 1 capital and Tier 2 capital is "total risk-based capital."

The FRB also has adopted regulations which supplement the risk-based guidelines to include a minimum leverage ratio of Tier 1 capital to quarterly average assets ("Leverage Ratio") of 3%. The FRB has emphasized that the foregoing standards are supervisory minimums and that a banking organization will be permitted to maintain such minimum levels of capital only if it receives the highest rating under the regulatory rating system and the banking organization is not experiencing or anticipating significant growth. All other banking organizations are required to maintain a Leverage Ratio of at least 4% to 5% of Tier 1 capital. These rules further provide that banking organizations experiencing internal growth or making acquisitions will be expected to maintain capital positions substantially above the minimum supervisory levels and comparable to peer group averages, without significant reliance on intangible assets. The FRB continues to consider tangible Tier 1 Leverage Ratio as the ratio of a banking organization's Tier 1 capital, less deductions for intangibles otherwise includable in Tier 1 capital, to total tangible assets.

The Federal Financial Institutions Examination Council establishes the guidelines which banks follow in preparing their quarterly Reports of Condition and Income ("Call Report") which are filed with their supervisory agency. The guidelines in most respects follow accounting principles generally accepted in the United States ("GAAP") in presenting the financial condition of each institution. An exception exists in the manner that recognition of deferred tax asset balances are treated for the purpose of calculating capital adequacy. In preparing the Call Report schedules dealing with regulatory capital, an institution can recognize only that portion of its deferred tax asset balance which equates to projected earnings for the ensuing 12 month period. Any amount in excess of that is disallowed when calculating the institution's capital ratios. All capital ratios reported by First Capital Bank following recognition of its deferred tax asset balance at June 30, 2003, will be in accordance with the Regulatory Accounting Principles ("RAP") noted above. All other financial statements presented by the Bank, including all other Call Report presentations, will be in accordance with GAAP.

Section 38 of the FDIA, as amended by the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), requires that the federal banking agencies establish five capital levels for insured depository institutions – "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized" – and requires or permits such agencies to take certain supervisory actions as an insured institution's capital level falls.

As of December 31, 2007, we and First Capital Bank both exceeded all capital requirements under all applicable regulations.

Safety and Soundness. The federal banking agencies have broad powers under current federal law to take prompt corrective action to resolve problems of insured depository institutions. The extent of these powers depends upon whether the institutions in question are "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," or "critically undercapitalized," all such terms are defined under uniform regulations defining such capital levels issued by each of the federal banking agencies.

On December 19, 1991, FDICIA was enacted into law. FDICIA requires each federal banking regulatory agency to prescribe, by regulation or guideline, standards for all insured depository institutions and depository institution holding companies relating to: (i) internal controls, information systems and audit systems; (ii) loan documentation; (iii) credit underwriting; (iv) interest rate risk exposure; (v) asset growth; (vi) compensation, fees and benefits; and (vii) such other operational and managerial standards as the agency determines to be appropriate. On July 10, 1995, the federal banking agencies, including the FRB, adopted final rules and proposed guidelines concerning standards for safety and soundness required to be prescribed by regulation pursuant to Section 39 of the FDIA. In general, the standards relate to (1) operational and managerial matters; (2) asset quality and earnings; and (3) compensation. The operational and managerial standards cover (a) internal controls and information systems; (b) internal audit systems; (c) loan documentation; (d) credit underwriting; (e) interest rate exposure; (f) asset growth; and (g) compensation, fees and benefits.

Activities and Investments of Insured State-Chartered Banks. The activities and equity investments of FDIC-insured, state-chartered banks are generally limited to those that are permissible for national banks. Under regulations dealing with equity investments, an insured state bank generally may not directly or indirectly acquire or retain any equity investment of a type, or in an amount, that is not permissible for a national bank. An insured state bank is not prohibited from, among other things, (i) acquiring or retaining a majority interest in a subsidiary; (ii) investing as a limited partner in a partnership the sole purpose of which is direct or indirect investment in the acquisition, rehabilitation or new construction of a qualified housing project, provided that such limited partnership investments may not exceed 2% of the bank's total assets; (iii) acquiring up to 10% of the voting stock of a company that solely provides or reinsures directors', trustees' and officers' liability insurance coverage or bankers' blanket bond group insurance coverage for insured depository institutions; and (iv) acquiring or retaining the voting shares of a depository institution if certain requirements are met. In addition, an insured state-chartered bank may not, directly, or indirectly through a subsidiary, engage as "principal" in any activity that is not permissible for a national bank unless the FDIC has determined that such activities would pose no risk to the insurance fund of which it is a member and the bank is in compliance with applicable regulatory capital requirements. Any insured state-chartered bank directly or indirectly engaged in any activity that is not permitted for a national bank must cease the impermissible activity. The scope of permissible activities available to FDIC-insured, state chartered banks may be expanded by the recently enacted financial services legislation. See "Supervision and Regulation – First Capital Bank – Financial Services Legislation."

Regulatory Enforcement Authority. Applicable banking laws include substantial enforcement powers available to federal banking regulators. This enforcement authority includes, among other things, the ability to assess civil monetary penalties, to issue cease-and-desist or removal orders and to initiate injunctive actions against banking organizations and institution-affiliated parties, as defined. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with regulatory authorities.

Monetary Policy

The commercial banking business is affected not only by general economic conditions but also by the monetary policies of the FRB. The instruments of monetary policy employed by the FRB include open market operations in United States government securities, changes in the discount rate on member bank borrowing and changes in reserve requirements against deposits held by all federally insured banks. The FRB's monetary policies have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. In view of changing conditions in the national and international economy and in the money markets, as well as the effect of actions by monetary fiscal authorities, including the FRB, no prediction can be made as to possible future changes in interest rates, deposit levels, loan demand or the business and earnings of the bank.

Federal Reserve System

In 1980, Congress enacted legislation that imposed reserve requirements on all depository institutions that maintain transaction accounts or non-personal time deposits. NOW accounts, money market deposit accounts and other types of accounts that permit payments or transfers to third parties fall within the definition of transaction accounts and are subject to these reserve requirements, as are any non-personal time deposits at an institution. For net transaction accounts in 2007, the first $7.8 million, the same amount as in 2006, will be exempt from reserve requirements. A 3% reserve ratio will be assessed on net transaction accounts over $7.8 million up to and including $40.5 million, also the same amount as in 2006. A 10% reserve ratio will be applied above $40.5 million. These percentages are subject to adjustment by the FRB. Because required reserves must be maintained in the form of vault cash or in a non-interest-bearing account at, or on behalf of, a Federal Reserve Bank, the effect of the reserve requirement is to reduce the amount of the institution's interest-earning assets.

Transactions with Affiliates

Transactions between banks and their affiliates are governed by Sections 23A and 23B of the Federal Reserve Act. An affiliate of a bank is any bank or entity that controls, is controlled by or is under common control with such bank. Generally, Sections 23A and 23B:

- limit the extent to which the bank or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10% of such institution's capital stock and surplus, and maintain an aggregate limit on all such transactions with affiliates to an amount equal to 20% of such capital stock and surplus; and

- require that all such transactions be on terms substantially the same, or at least as favorable, to the association or subsidiary as those provided to a nonaffiliate.

The term "covered transaction" includes the making of loans, purchase of assets, issuance of a guarantee and other similar types of transactions.

Loans to Insiders

The Federal Reserve Act and related regulations impose specific restrictions on loans to directors, executive officers and principal shareholders of banks. Under Section 22(h) of the Federal Reserve Act, loans to a director, an executive officer and to a principal shareholder of a bank, and some affiliated entities of any of the foregoing, may not exceed, together with all other outstanding loans to such person and affiliated entities, the bank's loan-to-one borrower limit. Loans in the aggregate to insiders and their related interests as a class may not exceed two times the bank's unimpaired capital and unimpaired surplus until the bank's total assets equal or exceed $100,000,000, at which time the aggregate is limited to the bank's unimpaired capital and unimpaired surplus. Section 22(h) also prohibits loans, above amounts prescribed by the appropriate federal banking agency, to directors, executive officers and principal shareholders of a bank or bank holding company, and their respective affiliates, unless such loan is approved in advance by a majority of the board of directors of the bank with any "interested" director not participating in the voting. The FDIC has prescribed the loan amount, which includes all other outstanding loans to such person, as to which such prior board of director approval is required, as being the greater of $25,000 or 5% of capital and surplus (up to $500,000). Section 22(h) requires that loans to directors, executive officers and principal shareholders be made on terms and underwriting standards substantially the same as offered in comparable transactions to other persons.

Community Reinvestment Act

Under the Community Reinvestment Act and related regulations, depository institutions have an affirmative obligation to assist in meeting the credit needs of their market areas, including low and moderate-income areas, consistent with safe and sound banking practice. The Community Reinvestment Act requires the adoption by each institution of a Community Reinvestment Act statement for each of its market areas describing the depository institution's efforts to assist in its community's credit needs. Depository institutions are periodically examined for compliance with the Community Reinvestment Act and are assigned ratings in this regard. Banking regulators consider a depository institution's Community Reinvestment Act rating when reviewing applications to establish new branches, undertake new lines of business, and/or acquire part or all of another depository institution. An unsatisfactory rating can significantly delay or even prohibit regulatory approval of a proposed transaction by a bank holding company or its depository institution subsidiaries.

The GLB Act and federal bank regulators have made various changes to the Community Reinvestment Act. Among other changes, Community Reinvestment Act agreements with private parties must be disclosed and annual reports must be made to a bank's primary federal regulatory. A bank holding company will not be permitted to become a financial holding company and no new activities authorized under the GLB Act may be commenced by a holding company or by a bank financial subsidiary if any of its bank subsidiaries received less than a "satisfactory" rating in its latest Community Reinvestment Act examination. First Capital Bank received a "satisfactory" rating during its latest examination.

Fair Lending; Consumer Laws

In addition to the Community Reinvestment Act, other federal and state laws regulate various lending and consumer aspects of the banking business. Governmental agencies, including the Department of Housing and Urban Development, the Federal Trade Commission and the Department of Justice, have become concerned that prospective borrowers experience discrimination in their efforts to obtain loans from depository and other lending institutions. These agencies have brought litigation against depository institutions alleging discrimination against borrowers. Many of these suits have been settled, in some cases for material sums, short of a full trial.

Recently, these governmental agencies have clarified what they consider to be lending discrimination and have specified various factors that they will use to determine the existence of lending discrimination under the Equal Credit Opportunity Act and the Fair Housing Act, including evidence that a lender discriminated on a prohibited basis, evidence that a lender treated applicants differently based on prohibited factors in the absence of evidence that the treatment was the result of prejudice or a conscious intention to discriminate, and evidence that a lender applied an otherwise neutral non-discriminatory policy uniformly to all applicants, but the practice had a discriminatory effect, unless the practice could be justified as a business necessity.

Banks and other depository institutions also are subject to numerous consumer-oriented laws and regulations. These laws, which include the Truth in Lending Act, the Truth in Savings Act, the Real Estate Settlement Procedures Act, the Electronic Funds Transfer Act, the Equal Credit Opportunity Act, and the Fair Housing Act, require compliance by depository institutions with various disclosure requirements and requirements regulating the availability of funds after deposit or the making of some loans to customers.

Bank Secrecy Act

Under the Bank Secrecy Act ("BSA"), a financial institution is required to have systems in place to detect certain transactions, based on the size and nature of the transaction. Financial institutions are generally required to report cash transactions involving more than $10,000 to the United States Treasury. In addition, financial institutions are required to file suspicious activity reports for transactions that involve more than $5,000 and which the financial institution knows, suspects or has reason to suspect, involves illegal funds, is designed to evade the requirements of the BSA or has no lawful purpose. The USA PATRIOT Act of 2001, enacted in response to the September 11, 2001 terrorist attacks, requires bank regulators to consider a financial institution's compliance with the BSA when reviewing applications from a financial institution. As part of its BSA program, the USA PATRIOT Act also requires a financial institution to follow recently implemented customer identification procedures when opening accounts for new customers and to review lists of individuals and entities that are prohibited from opening accounts at financial institutions.

Future Regulatory Uncertainty

Because federal regulation of financial institutions changes regularly and is the subject of constant legislative debate, we cannot forecast how federal regulation of financial institutions may change in the future and impact our operations. Although Congress in recent years has sought to reduce the regulatory burden on financial institutions with respect to the approval of specific transactions, we fully expect that the financial institution industry will remain heavily regulated in the near future and that additional laws or regulations may be adopted further regulating specific banking practices.

ITEM 2. DESCRIPTION OF PROPERTY

Our banking offices are listed below. We conduct our business from the properties listed below. Except for our Ashland office, which we own, we lease our other offices under long term lease arrangements. All of such leases are at market rental rates and they are all with unrelated parties having no relationship or affiliation with us.

Office Location	Date Opened
Innsbrook Office 4101 Dominion Boulevard Glen Allen, Virginia 23060	1998
Ashland Office 409 South Washington Highway Ashland, Virginia 23005	2000
Chesterfield Towne Center Office 1580 Koger Center Boulevard Richmond, Virginia 23235	2003
Staples Mill Road Office 1776 Staples Mill Road Richmond, Virginia 23230	2003

Forest Office Park Branch 1504 Santa Rosa Road Richmond, Virginia 23229	2006
James Center Office One James Center 901 East Cary Street Richmond, Virginia 23219	2007

Our corporate office, which we opened in 2003, is located at 4222 Cox Road, Suite 200, Glen Allen, Virginia 23060.

All of our properties are in good operating condition and are adequate for our present and anticipated future needs.

On January 11, 2008, the Company closed on approximately .83 acres at the intersection of West Broad Street and Dominion Boulevard in Henrico County as a replacement for its Innsbrook Branch. The total purchase price was $1.5 million. Construction commenced in March 2008 and is scheduled to be completed in August 2008. On January 31, 2008, the Company entered into an agreement to purchase approximately 1.18 acres near the intersection of Route 288 and Midlothian Turnpike in Chesterfield County as a future branch site. The total purchase price is $1.9 with a closing scheduled for March 2008.

ITEM 3. LEGAL PROCEEDINGS

We are not involved in any pending legal proceedings other than legal proceedings occurring in the ordinary course of business. Our management does not believe that such legal proceedings, individually or in the aggregate, are likely to have a material adverse effect on our results of operations or financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders of the Company.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock was approved for listing on the Nasdaq Capital Markets as of June 7, 2007 under the symbol "FCVA". Trading under that symbol began June 14, 2007. Prior to listing on Nasdaq, our common stock traded over the counter and under the symbol "FPBX", although no established trading market developed.

The following table shows high and low sale prices for our common stock, as reported to us, for the periods indicated.

	High	Low
2006		
1st Quarter	$20.00	$16.66
2nd Quarter	20.00	16.25
3rd Quarter	18.50	17.50
4th Quarter	18.10	17.95
2007		
1st Quarter	$20.00	$16.80
2nd Quarter	17.50	15.50
3rd Quarter	16.00	12.00
4th Quarter	14.75	11.00

The foregoing transactions may not be representative of all transactions during the indicated periods or of the actual fair market value of our common stock at the time of such transaction due to the infrequency of trades and the limited market for our common stock.

As of March 19, 2008, there were approximately 703 shareholders of record of our common stock.

Effective December 28, 2005, First Capital Bank completed a three-for-two stock split with respect to the outstanding shares of its common stock. The information set forth in this Report on Form 10-KSB regarding common stock reflects the changes resulting from the stock split.

SUMMARY FINANCIAL INFORMATION

The following consolidated summary sets forth our selected financial data for the periods and at the dates indicated. The selected financial data for fiscal years have been derived from our audited financial statements for each of the five years that ended December 31, 2007, 2006, 2005, 2004 and 2003. You also should read the detailed information and the financial statements for all of such periods included elsewhere in this Report on Form 10-KSB.

	At or for the Fiscal Years Ended December 31,				
	2007	2006	2005	2004	2003
	(In thousands, except ratios and per share amounts)				
Income Statement Data:					
Interest income	$20,356	$15,263	$10,533	$6,740	$5,164
Interest expense	10,563	7,691	4,134	2,388	2,235
Net interest income	9,793	7,572	6,399	4,352	2,929
Provision for loan losses	676	404	408	346	250
Net interest income after provision for loan losses	9,117	7,168	5,991	4,006	2,679
Noninterest income	809	465	272	270	284
Noninterest expense	7,259	5,261	4,293	3,406	2,590
Income before income taxes	2,667	2,372	1,970	870	373
Income tax expense (benefit)	925	801	664	296	127
Net income	$1,742	$1,571	$1,306	$574	$246
Per Share Data: [(1)]					
Basic earnings per share	$0.72	$0.87	$0.73	$0.32	$0.17
Diluted earnings per share	$0.71	$0.83	$0.70	$0.31	$0.16
Book value per share	$11.73	$8.72	$7.78	$7.23	$6.19
Balance Sheet Data:					
Assets	$351,867	$257,241	$209,529	$152,647	$115,148
Gross loans, net of unearned income	$296,723	$201,585	$156,062	$108,698	$72,641
Deposits	$255,108	$194,302	$162,388	$128,658	$104,726
Shareholders' equity	$34,859	$15,659	$13,970	$12,990	$9,234
Average shares outstanding, basic	2,414	1,796	1,796	1,796	1,488
Average shares outstanding, diluted	2,471	1,889	1,860	1,849	1,530
Selected Performance Ratios					
Return on average assets	0.61%	0.69%	0.72%	0.42%	0.23%
Return on average equity	6.80%	10.74%	9.69%	5.87%	2.67%
Efficiency ratio	68.47%	65.46%	64.35%	73.69%	80.61%
Net interest margin	3.54%	3.41%	3.68%	3.39%	2.84%
Equity to assets	9.91%	6.09%	6.67%	8.51%	8.02%
Tier 1 risk-based capital ratio	12.98%	10.39%	9.13%	12.46%	12.01%
Total risk-based capital ratio	14.44%	12.28%	11.36%	13.51%	12.42%
Leverage ratio	12.50%	8.80%	6.98%	8.74%	7.86%
Asset Quality Ratios:					
Non-performing loans to period-end loans	0.02%	0.06%	0.00%	0.00%	0.01%
Non-performing assets to total assets	0.01%	0.05%	0.00%	0.00%	0.01%
Net loan charge-offs (recoveries) to average loans	0.01%	0.02%	0.02%	0.00%	0.11%
Allowance for loan losses to loans outstanding at end of period	0.84%	0.91%	0.94%	1.00%	1.01%

(1) Amounts have been adjusted to reflect the three for two stock split on December 28, 2005.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion provides information about the results of operations and financial condition, liquidity and capital resources. This discussion should be read in conjunction with our consolidated financial statements and notes to consolidated financial statements.

Overview

We are headquartered in Glen Allen, Virginia and conduct our primary operations through our wholly owned subsidiary, First Capital Bank (the "Bank"). Through its six full service branch offices and courier service, the bank serves the greater Richmond metropolitan area which includes the counties of Henrico, Chesterfield, and Hanover, the Town of Ashland and the City of Richmond, Virginia. We target small to medium-sized businesses and consumers in our market area and emerging suburbs outside of the greater Richmond metropolitan area. In addition, we strive to develop personal, knowledgeable relationships with our customers, while at the same time offering products comparable to statewide regional banks located in its market area. We believe that the marketing of customized banking services has enabled it to establish a niche in the financial services marketplace in the Richmond Metropolitan Area.

We generate a significant amount of our income from the net interest income earned by the bank. Net interest income is the difference between interest income and interest expense. Interest income depends on the amount of interest-earning assets outstanding during the period and the interest rates earned thereon. Interest expense is a function of the average amount of deposits and borrowed money outstanding during the period and the interest rates paid thereon. The quality of the assets further influences the amount of interest income lost on non-accrual loans and the amount of additions to the allowance for loan losses.

For the years ended December 31, 2007 and 2006, we continued to realize the benefit of high growth rates in both assets and net interest income. Our total assets increased to $351.9 million at December 31, 2007, compared to $257.2 million at December 31, 2006, representing an increase of $94.6 million or 36.8%. Our total assets of $257.2 million on December 31, 2006 increased 22.8% from our December 31, 2005 balance of $209.5 million.

Total net loans at December 31, 2007 were $294.2 million, an increase of $94.5 million, or 47.3%, from the December 31, 2006 amount of $199.8 million. For the year 2006, total loans increased $45.1 million or 29.2%. Loan growth of approximately $139.6 million for the two years ended December 31, 2007 was accomplished without sacrificing credit quality. Non-accrual loans totaled $50 thousand and $120 thousand at December 31, 2007 and 2006, respectively. Excluding nonaccrual loans, there were no loans delinquent 90 days or more at December 31, 2007 and at December 31, 2006. Additional lenders, a solid local economy and strong underwriting contributed to the superior loan quality and growth we experienced.

Deposits increased $60.8 million to $255.1 million at December 31, 2007 from the balance at December 31, 2006. Certificates of deposit increased $37.4 million or 30.8% and represent 62.3% of deposits with maturities ranging from six months to five years. Money market accounts and NOW accounts increased $19.7 million or 49.4% with the continued success of the Capital Reserve Account which has a variable rate tied to the stated Fed funds rate. Low cost demand deposits increased 11.1% or $3.7 million to $36.5 million at December 31, 2007. Over the twenty-four months ended December 31, 2007, prime changed seven times. For the period January 1, 2006 to June 29, 2007, prime increased four times in 25 basis points increments from 7.25% to 8.25%. From September 18, 2007 to December 31, 2007, prime decreased three times from 8.25% back to 7.25% in one 50 basis point drop and two 25 basis point decreases. The steady rise in short term interest rates over eighteen months of the last two years and the growth of interest bearing deposits resulted in the 37.9% increase in interest expense in 2007.

The net interest margin was 3.54% for the year ended December 31, 2007 compared to 3.41% for the same period in 2006. The increase is attributed to steady rise in shorter interest rates on deposits and borrowed money for most of the year ended December 31, 2007.

Total non-interest expense increased 38.0% or $2.0 million from $5.3 million for the year ended December 31, 2006 to $7.3 million for the year ended December 31, 2007. Additions to staff to support business development and retail branching contributed to the increase in salaries and employee benefits. Two experienced lenders were hired to support development of the construction division and loan origination function. Occupancy and depreciation expense increased as the result of the opening of the new Forest Office Park branch in the third quarter of 2006 and the James Center Branch in February 2007. The FDIC assessment increased as the result of changes in the computation of the premium. The Virginia bank franchise tax increased $112 thousand for the year ended December 31, 2007 as the result of increased investment in First Capital Bank by First Capital Bancorp, Inc. as a result of the stock offering during June 2007.

We remained well capitalized with capital ratios above the regulatory minimums. Asset quality measures also remained consistently strong throughout the year. The loan loss increased primarily due to loan growth.

Critical Accounting Policies

The financial condition and results of operations presented in the consolidated financial statements, the accompanying notes to the consolidated financial statements and this section are, to a large degree, dependent upon our accounting policies. The selection and applications of these accounting policies involve judgments, estimates, and uncertainties that are susceptible to change.

First Capital Bank's critical accounting policy relates to the evaluation of the allowance for loan losses which is based on management's opinion of an amount that is adequate to absorb losses in the Bank's existing portfolio. The allowance for loan losses is established through a provision for loan loss based on available information including the composition of the loan portfolio, historical loan losses (to the extent available due to limited history), specific impaired loans, availability and quality of the collateral, age of the various portfolios, changes in local economic conditions, loan performance and quality of the portfolio. Different assumptions used in evaluating the adequacy of the Bank's allowance for loan losses could result in material changes in its financial condition and results of operations. The Bank's policies with respect to the methodology for determining the allowance for loan losses involve a high degree of complexity and require management to make subjective judgments that often require assumptions or estimates about certain matters. This critical policy and its assumptions are periodically reviewed with the Bank's Board of Directors.

The Bank evaluates various loans individually for impairment as required by Statement of Financial Accounting Standard ("SFAS") No. 114, Accounting by Creditors for Impairment of a Loan, and SFAS No. 118, Accounting by Creditors for Impairment of a Loan – Income Recognition and Disclosures. Loans evaluated individually for impairment include non-performing loans, loans past due by 30 days or more, and other loans selected by management. The evaluations are based upon discounted expected cash flows or collateral valuations. If the evaluation shows that a loan is individually impaired, then a specific reserve is established for the amount of impairment. If a loan evaluated individually is not impaired, then the loan is assessed for impairment under SFAS No. 5, Accounting for Contingencies, with a group of loans that have similar characteristics.

For loans without individual measures of impairment, the Bank makes estimates of losses for groups of loans as required by SFAS No. 5. Loans are grouped by similar characteristics, including the type of loan and general collateral type. A loss rate range reflecting the expected loss inherent in a group of loans is derived based upon estimates of default rates for a given collateral type, terms of the loan, borrower and industry concentrations, levels and trends in delinquencies and charge-off and recovery experience.

The amount of estimated impairment of individually evaluated loans and the range of estimated losses for groups of loans are added together for a total range of estimated loan losses. This range of estimated losses is compared to the allowance for loan losses of the Bank as of the evaluation date and, if the range of estimated losses is greater than the allowance, an additional provision to the allowance would be made. If the range of estimated losses is less than the allowance, the degree to which the allowance exceeds the range of estimated losses is evaluated to determine whether a reduction to the allowance would be necessary. If different assumptions or conditions were to prevail and it is determined that the allowance is not adequate to absorb the new estimate of probable losses, an additional provision for loan losses would be made, which amount may be material to the consolidated financial statements.

Results of Operations

Net Income

Net income for the year ended December 31, 2007 increased 10.9% to $1.7 million from $1.6 million for the year ended December 31, 2006. Returns on equity and assets for the year ended December 31, 2007 were 6.80% and 0.61%, respectively, compared to 10.74% and 0.69% for the year ended December 31, 2006. The return on equity decreased as the result of the net increase in equity of $17.1 million due to the stock offering that was completed during 2007. Our continued focus on loan growth resulted in an increase in interest income. Interest on loans increased $5.1 million to $18.4 million for the year ended December 31, 2007, compared to $13.3 million for the comparable period in 2006. Operations have been impacted by increased funding costs due to the general increase in interest rates during 2007 and growth in total interest bearing liabilities. Total interest expense was $10.6 million for the year ended December 31, 2007, compared to $7.7 million for the year ended December 31, 2006.

For 2007, earnings per diluted share were $0.71 compared to $0.83 and $0.73 for 2006 and 2005, respectively. The weighted average shares outstanding increased by 618 thousand shares during 2007 as the result of the stock offering in June 2007.

The following table reflects an analysis of our net interest income using the daily average balance of our assets and liabilities as of the periods indicated.

	Year Ended December 31,					
	2007			2006		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
	(Dollars in thousands)					
Assets:						
Loans, net of unearned income	$233,808	$18,362	7.85%	$177,050	$13,263	7.49%
Investment securities:						
U.S. Agencies	23,902	1,108	4.64%	25,307	1,125	4.45%
Mortgage backed securities	9,863	422	4.28%	12,702	521	4.10%
Municipal securities	1,010	41	4.03%	1,012	41	4.05%
Corporate bonds	226	13	5.64%	-	-	-
Other investments	2,379	144	6.08%	1,955	115	5.88%
Total investment securities	37,380	1,728	4.62%	40,976	1,802	4.40%
Federal funds sold	5,084	266	5.24%	3,884	198	5.10%
Total earning assets	$276,272	$20,356	7.37%	$221,910	$15,263	6.88%
Cash and cash equivalents	6,356			6,313		
Allowance for loan losses	(2,128)			(1,666)		
Other assets	4,326			2,018		
Total assets	$284,826			$228,575		
Liabilities and Stockholders' Equity:						
Interest bearing liabilities:						
Interest checking	$9,063	$96	1.06%	$6,666	$34	0.51%
Money market deposit accounts	44,698	1,798	4.02%	24,829	754	3.04%
Statement savings	883	13	1.53%	734	11	1.50%
Certificates of deposit	131,912	6,783	5.14%	119,838	5,505	4.59%
Total interest-bearing deposits	186,556	8,690	4.66%	152,067	6,304	4.15%
Fed funds purchased	1,624	79	4.86%	1,760	94	5.34%
Repurchase agreements	1,932	81	4.19%	1,041	46	4.42%
Subordinated debt	7,155	500	6.99%	3,440	227	6.60%
FHLB advances	28,348	1,213	4.28%	25,460	1,020	4.01%
Total interest-bearing liabilities	225,615	10,563	4.68%	183,768	7,691	4.19%
Noninterest-bearing liabilities:						
Noninterest-bearing deposits	32,119			27,783		
Other liabilities	1,476			2,393		
Total liabilities	33,595			30,176		
Shareholders' equity	25,616			14,631		
Total liabilities and shareholders' equity	$284,826			$228,575		
Net interest income		$9,793			$7,572	
Interest rate spread			2.69%			2.69%
Net interest margin			**3.54%**			**3.41%**
Ration of average interest earning assets to average interest-bearing liabilities			122.45%			120.76%

(1) For purposes of these computations, nonaccrual loans are included in average loans.

Net Interest Income

Net interest income represents our principal source of earnings. Net interest income is the amount by which interest generated from earning assets exceeds the expense of funding those assets. Changes in volume and mix of interest-earning assets and interest-bearing liabilities, as well as their respective yields and rates, have a significant impact on the level of net interest income.

Year ended December 31, 2007 compared to year ended December 31, 2006

Net interest income for the year ended December 31, 2007 increased 29.3% to $9.8 million from $7.6 million for the year ended December 31, 2006. The increase in net interest income resulted from a 13 basis point increase in the net interest margin from 3.41% for the year ended December 31, 2006 to 3.54% for the comparable period of 2007.

Average earning assets increased 24.5% to $276.2 million for 2007 from $221.9 million for 2006. Average loans, net of unearned income increased 32.1% for 2007 to $233.8 million. The average rate earned on net loans, increased 36 basis points to 7.85% from 7.49% for the year ended December 31, 2006. Loan growth was more pronounced in the third and fourth quarters of 2007 as $67.7 million, or 71.6%, of the $94.5 million in net new loans were originated during those quarters. The average balance in our securities portfolio decreased by $3.6 million primarily due to repayments on mortgage backed securities of $2.8 million and a $1.4 million reduction in U.S. Agencies, while the yield increased 22 basis points to 4.62% from 4.40%. As the result of these changes, total interest income increased $5.1 million, or 33.4% to $20.4 million for the year ended December 31, 2007 as compared to $15.3 million for the comparable period of 2006.

Total interest expense on deposits increased $2.4 million to $8.7 million for the year ended December 31, 2007 from $6.3 million for the same period of 2006. The average balance of interest-bearing deposits increased $34.5 million as the cost of deposits increased 51 basis points. The average money market deposit accounts increased $19.9 million during 2007 to $44.7 million as the average rate increased 99 basis points to 4.02%. The popularity of the Capital Reserve Account with a variable rate tied to fed funds, resulted in the increase in deposits and costs. Targeted fed funds were high most of 2007 until the decreases beginning in September 2007. The average balance of certificates of deposit increased $12.1 million as the cost of certificates increased 55 basis points to 5.14% for the year ended December 31, 2007. Due to higher rates during most of 2007 as compared to 2006, deposits were rolling up in rate at maturity through the first three quarters of 2007. The percentage of certificates of deposits to total deposits increased slightly during 2007 to 62.3%.

Average advances from the Federal Home Loan Bank of Atlanta ("FHLB") increased $2.9 million during 2007. The average cost of those advances increased 29 basis points. Advances from the FHLB were used to augment deposits in supporting the loan growth of the Bank. Interest expense of FHLB advances increased $193 thousand or 18.9% over 2006 to $1.2 million for the year ended December 31, 2007.

Average subordinated debt and other borrowed money increased $3.7 million during 2007. During September 2006, $5.2 million of Trust Preferred Capital Notes were issued at a LIBOR-indexed floating rate of interest (three-Month LIBOR plus 1.70%) which adjusts quarterly. The rate was 6.69% at December 31, 2007, down from 7.06% at December 31, 2006 and 7.09% upon issuance in September 2006. Subordinated debt of $2.0 million was outstanding all of 2007 and 2006 at a fixed rate of 6.33%. Total interest expense on subordinated debt and other borrowed money increased $307 thousand during 2007 to $581 thousand for the year ended December 31, 2007.

Year ended December 31, 2006 compared to year ended December 31, 2005

Net interest income for 2006 increased to $7.6 million, a $1.2 million increase over the $6.4 million reported for 2005. The increase in our net interest income in 2006 resulted from the 27.6% increase in average earning assets and 82 basis points increase in the average rate earned on average earning assets. The 82 basis points increase in earning assets yield was offset by a 115 basis point increase in the cost of funding. The net interest margin decreased during 2006 by 27 basis points to 3.41%. The average balance in our securities portfolio increased by $3.5 million, while the yield increased 50 basis points to 4.40%. Our average loan portfolio volume increase $43.7 million or 32.7%. The average yield on the loan portfolio increased 76 basis points to 7.49%. Loan demand was strong throughout most of 2006. Growth in the loan portfolio coupled with the increase in loan yields produced a 47.8% increase in loan interest income.

The average balance of interest-bearing deposits increased $30.8 million as the cost of deposits increased 118 basis points. Interest expense on deposits increased $2.7 million or 74.9%, to $6.3 million for the year ended December 31, 2006. Average balance of certificates of deposit increased $29.5 million as the cost of certificates increased 109 basis points. The percentage of certificates of deposits to total deposits increased from 61.9% in 2005 to 62.5% in 2006. The cost of money market accounts increased 134 basis points from 1.70% for the year 2005 to 3.04% for the year 2006. Higher short term rates and the introduction of the Capital Reserve Account with a variable rate tied to fed funds, resulted in the increase in cost. The Capital Reserve Account, which was introduced in June 2006, had a balance of $16.1 million at December 31, 2006.

Average advances from the FHLB increased $13.6 million during 2006. Average cost of those advances increased 50 basis points. Advances from the FHLB were used to augment deposits in supporting the loan growth of the Bank. Interest expense of FHLB advances increased $605 thousand or 145.9% over 2005 to $1.0 million for the year ended December 31, 2006.

Average subordinated debt and other borrowed money increased $3.3 million during 2006. During September 2006, $5.2 million of Trust Preferred Capital Notes were issued at a LIBOR-indexed floating rate of interest (three-Month LIBOR plus 1.70%) which adjusts quarterly. The rate was 7.06% at December 31, 2006.

The following table analyzes changes in net interest income attributable to changes in the volume of interest-earning assets and interest bearing liabilities compared to changes in interest rates.

	2007 vs. 2006 Increase (Decrease) Due to Changes in:			2006 vs. 2005 Increase (Decrease) Due to Changes in:		
	Volume	Rate	Total	Volume	Rate	Total
	(Dollars in thousands)					
Earning Assets:						
Loans, net of unearned income	$4,252	$847	$5,099	$2,936	$1,356	$4,292
Investment securities:	(154)	80	(74)	163	176	339
Federal funds sold	61	7	68	30	69	99
Total earning assets	4,159	934	5,093	3,129	1,601	4,730
Interest-Bearing Liabilities:						
Interest checking	12	50	62	2	1	3
Money market deposit accounts	603	441	1,044	21	332	353
Statement savings	2	0	2	(3)	5	2
Certificates of deposit	555	723	1,278	1,033	1,308	2,341
Fed funds purchased	(7)	(8)	(15)	(20)	25	5
Repurchase agreements	39	(4)	35	9	18	27
Subordinated debt	245	28	273	216	5	221
FHLB advances	116	77	193	478	127	605
Total interest-bearing liabilities	1,565	1,307	2,872	1,736	1,821	3,557
Change in net interest income	$2,594	($373)	$2,221	$1,393	($220)	$1,173

Provision for Loan Losses

The provision for loan losses for the year ended December 31, 2007 was $676 thousand compared to $404 thousand for the year ended December 31, 2006. We are committed to making loan loss provisions that maintain an allowance that adequately reflects the risk inherent in our loan portfolio. This commitment is more fully discussed in the "Asset Quality" section below.

Non-Interest Income

Year ended December 31, 2007 compared to year ended December 31, 2006

Non-interest income has been and will continue to be an important factor for increasing profitability. Management continues to consider areas where non-interest income can be increased.

Non-interest income increased 74.1% to $809 thousand for the year ended December 31, 2007 compared to $465 thousand for the same period in 2006.

Fees on deposits increased $54.4 thousand or 32.7% to $221 thousand for the year ended December 31, 2007. Reflecting deposit growth, NSF and Returned Check fees increased $39 thousand and Service Charges on Checking increased $17 thousand. Fees on mortgage loans increased $124 thousand to $158 thousand for the year 2007 compared to $34 thousand for 2006. A new mortgage origination division was established in late 2006 as an additional source to increase non-interest income. Other noninterest income increased $137 thousand, or 51.8%, for 2007 to $401 thousand. Loan late fees and miscellaneous loan fees increased $68 thousand; ATM fees increased $16 thousand.

Year ended December 31, 2006 compared to year ended December 31, 2005

Non-interest income increased 70.8% to $465 thousand for the year ended December 31, 2006 compared to $272 thousand for the same period in 2005.

Fees on deposits increased 75.6% to $166 thousand for the year ended December 31, 2006 compared to $95 thousand for the same period in 2005. NSF and Returned Check fees increased from $74 thousand for the year ended December 31, 2005 to $132 thousand for the year ended December 31, 2006 an 79.6% increase. Other non-interest income increased $75 thousand or 39.8% to $264 thousand as compared to $189 thousand for the comparable period in 2005. ATM fees increased 100.0% to $64 thousand for the year ended December 31, 2006 as compared to $32 thousand for the comparable period in 2005. Fees on mortgage loans were $34 thousand for the year ended December 31, 2006. A new mortgage origination division was established in September 2006.

Non-Interest Expense

Year ended December 31, 2007 compared to year ended December 31, 2006

Total noninterest expense increased 38.0% to $7.3 million for the year 2007 as compared to $5.3 million for 2006. Noninterest expense was 2.6% of average assets for the year ended December 31, 2007 compared to 2.3% for 2006.

Salaries and employee benefits increased 46.3% to $3.8 million compared to $2.6 million for 2006. The opening and staffing of the Company's sixth branch at the James Center in downtown Richmond and additions to staff to support business development contributed to the increase. The Company also made key additions to the senior lending team in January 2007 which contributed to the increase.

Occupancy expense increased $138 thousand, or 22.9%, to $740 thousand during 2007 as compared to 2006. The opening of the James Center Branch in February 2007 added $99 thousand in rent during 2007. The Forest Office Park Branch, which opened in the fall of 2006, added $25 thousand for the full year of 2007 over 2006.

Advertising and marketing increased $113 thousand as a TV marketing campaign was used in 2007 to generate deposits and name recognition.

FDIC assessments increased $138 thousand to $160 thousand for 2007 from $22 thousand for 2006 due to a change in the calculation of the premium due for FDIC insurance.

Virginia bank franchise stock tax increased $112 thousand to $296 thousand during 2007 from $184 thousand for 2006. Infusion of an additional $10.0 million of capital in the subsidiary bank in 2007 resulted in the increase in the capital stock tax.

Other expenses increased $149 thousand due to expansion of the bank with cost associated with new branches and operations.

Year ended December 31, 2006 compared to year ended December 31, 2005

Total non-interest expense increased 22.5% to $5.3 million for the year ended December 31, 2006, compared to $4.3 for 2005. When taken as a percentage of total average assets for the year, non-interest expense was 2.3% of average assets for 2006 compared to 2.4% for 2005.

Salaries and employee benefits increased 29.3% to $2.6 million compared to $2.0 million for 2005. Additions to staff to support business development, retail branching and the formation of a construction division team have contributed to the increase in salaries and employee benefits. The staffing and opening of the Forest Office Park Branch in 2006 also contributed to the increases in 2006.

Occupancy expense increased 0.93% during 2006 to $602 thousand as compared to $596 thousand for 2005. The addition of the Forest Office Park branch in September 2006 resulted in additional occupancy expense for 2006.

Data processing expense increased 1.02% to $428 thousand for 2006 as compared to $423 thousand for 2005. The increase is related to increase cost for the new branch opened in 2006 and volume increases at existing branches.

Other expense increased $138 thousand or 18.9% for 2006 as compared to $728 thousand for 2005. The increase resulted from increases in various expense categories, including insurance, director fees and office supplies, due to our growth.

Professional fees which include legal, accounting and audit increased 71.3% to $148 thousand for the year ended December 31, 2006 from $86 thousand for 2005. Formation of the holding company, registration with the Security and Exchange Commission and compliance with Sarbanes Oxley contributed to the increase in professional fees.

Virginia bank franchise tax increased 43.6% to $184 thousand for 2006 as compared to $128 thousand for 2005. Additional $4.5 million of capital in the subsidiary bank resulted in the increase in the capital stock tax.

Depreciation expense increased $86 thousand or 36.5% to $323 thousand for the year ended December 31, 2006 as compared to $237 thousand for the comparable period in 2005. The addition of fit-up of the new branch and related equipment and the relocation of the Ashland leased office to an owned free standing building in Ashland accounted for the increase in depreciation expense. Additional equipment depreciation associated with employee infrastructure also contributed to the increase.

Income Taxes

Our reported income tax expense was $925 thousand for 2007 and $801 thousand for 2006. Our effective tax rate for 2007 was 34.9% compared to 33.8% for 2006. Note 10 of our consolidated financial statements provides a reconciliation between the amount of income tax expense computed using the federal statutory rate and our actual income tax expense. Also included in Note 10 to the consolidated financial statements is information regarding the principal items giving rise to deferred taxes for the two years ended December 31, 2007 and 2006.

Financial Condition

Assets

Our total assets increased to $351.9 million at December 31, 2007, compared to $257.2 million at December 31, 2006 representing an increase of $94.6 million or 36.8%. Total average assets increased 24.6% from $228.6 million for the year ended December 31, 2006 to $284.8 million for the same period of 2007. Average stockholders' equity increased 75.1% or $11.0 million over the same period due to the stock offering conducted during June and July 2007 in which $17.1 million in capital was raised after expenses.

Our total assets increased to $257.2 million at December 31, 2006, compared to $209.5 million at December 31, 2005 representing an increase of $47.7 million or 22.8%. Total average assets increased 26.5% from $180.7 million for the year ended December 31, 2005 to $228.6 million for the same period of 2006. Average stockholders' equity increased 8.6% or $1.2 million over the same period.

Loans

Our loan portfolio is the largest and most profitable component of our earning assets. Total loans, which exclude the allowance for loan losses and deferred loans fees, at December 31, 2007 were $296.9 million, an increase of $95.2 million from the December 31, 2006 amount of $201.7 million. We continue to see increases in real estate construction loans, which were $79.1 million at December 31, 2007 or 26.6% of total loans. Residential and commercial real estate increased $44.1 million during 2007 and represent 57.0% of total loans. Additional lenders and a solid local economy have contributed to the loan growth. The allowance for loan losses was $2.5 million or 0.84% of total loans outstanding at December 31, 2007.

Major classifications of loans are as follows:

	2007	2006	2005	2004	2003
			(Dollars in thousands)		
Commercial	$44,367	$22,619	$15,312	$13,651	$14,275
Real estate - residential	83,035	62,166	57,708	48,451	26,604
Real estate - commercial	86,301	63,062	49,775	30,741	23,907
Real estate - construction	79,096	51,450	31,442	14,324	6,165
Consumer	4,106	2,387	1,799	1,494	1,690
Total loans	296,905	201,684	156,036	108,661	72,641
Less:					
Allowance for loan losses	2,489	1,834	1,460	1,084	736
Net deferred fees (costs)	182	99	(26)	(37)	19
Loans, net	$294,234	$199,751	$154,602	$107,614	$71,886

Our loan portfolio totaled 84.6% of average earning assets in 2007, up from 79.8% in 2006 and 76.7% in 2005. Because of the nature of our market, loan collateral is predominantly real estate. At December 31, 2007, we had no concentration of loans in any one industry exceeding 10%.

The following table reflects the amount of loans for Commercial loans and Real estate construction as to fixed and variable and repricing or maturity:

	December 31, 2007			
	One Year or Less	After One Year Through Five Years	After Five Years	Total
	(Dollars in thousands)			
Commercial	$21,629	$21,680	$1,058	$44,367
Real estate construction	72,587	5,717	792	79,096
Total	$94,216	$27,397	$1,850	$123,463
Loans with:				
Fixed Rates	$3,398	$22,437	$1,010	$26,845
Variable Rates	90,818	4,960	840	96,618
	$94,216	$27,397	$1,850	$123,463

Asset Quality

We have policies and procedures designed to control credit risk and to maintain the quality of our loan portfolio. These include underwriting standards for new originations and ongoing monitoring and reporting of asset quality and adequacy of the allowance for loan losses. Non-accrual loans were $50 thousand at December 31, 2007 compared to $120 thousand at December 31, 2006. The non-accrual loan of $50 at December 31, 2007 has an SBA guarantee of $25 thousand as additional collateral.

Non-performing Assets

We place loans on on-accrual status when the collection of principal and interest is doubtful, generally when a loan becomes 90 days past due. There are three negative implications for earnings when we place a loan on non-accrual status. First, all interest accrued but unpaid at the date that the loan is placed on non-accrual status is either deducted from interest income or written off as a loss. Second, accruals on interest are discontinued until it becomes certain that both principal and interest can be repaid. Finally, there may be actual losses that require additional provisions for loan losses to be charged against earnings.

Non-performing Assets

	December 31,				
	2007	2006	2005	2004	2003
	(Dollars in thousands)				
Non-accrual loans	$50	$120	$2	$3	$6
Accruing loans greater than 90 days past due	-	-	-	-	-
Non-performing assets to period end loans	0.02%	0.06%	0.00%	0.00%	0.01%

Allowance for Loan Losses

For a discussion of our accounting policies with respect to the allowance for loan losses, see "Critical Accounting Policies – Allowance for Loan Losses" above.

The following table depicts the transactions, in summary form, that occurred to the allowance for loan losses in each year presented:

	December 31,				
	2007	2006	2005	2004	2003
	(Dollars in thousands)				
Balance, beginning of year	$1,834	$1,460	$1,084	$736	$552
Loans charge-offs					
Commercial	20	21	31	-	62
Real estate - residential		-	-	-	-
Real estate - commercial		-	-	-	-
Real estate - construction		10	-	-	-
Consumer	4	-	1	-	12
Total loans charged off	24	31	32	-	74
Recoveries					
Commercial		1	-	1	8
Real estate - residential		-	-	-	-
Real estate - commercial		-	-	-	-
Real estate - construction		-	-	-	-
Consumer	3	-	-	1	-
Total recoveries	3	1	-	2	8
Net charge-offs	21	30	32	(2)	66
Additions charge to operations	676	404	408	346	250
Balance, end of year	$2,489	$1,834	$1,460	$1,084	$736
Ratio of allowance for loan losses to loans outstanding at end of period	0.84%	0.91%	0.94%	1.00%	1.01%
Ratio of new charge-offs (recoveries) to average loans outstanding during the period	0.01%	0.02%	0.02%	0.00%	0.11%

The allowance for loan losses at December 31, 2007 was $2.5 million compared to $1.8 million at December 31, 2006. The allowance for loan losses was 0.84% of total loans outstanding at December 31, 2007 compared to 0.91% at December 31, 2006. The provision for loan losses was $676 thousand for 2007 compared to $404 thousand for 2006. Net charge-offs were $21 thousand for the year ended December 31, 2007. The portfolio continues to show considerable quality as there were no loans 30 days to 89 days delinquent at December 31, 2007. We have no exposure to sub-prime loans in the portfolio. Our constructions loans increased 53.7% to $79.1 million at December 31, 2007. Our typical construction borrower is a seasoned builder in the Richmond metropolitan area. No construction loans were contractually delinquent at December 31, 2007.

The allowance for loan losses at December 31, 2006 was $1.8 million compared to $1.5 million at December 31, 2005. The provision was $404 thousand for 2006 compared to $408 thousand for 2005. Net charge-offs were $30 for the year 2006.

The following table shows the balance and percentage of our allowance for loan losses allocated to each major category of loan:

	Commercial & Industrial		Real Estate Mortgage		Real Estate Construction		Consumer		Total
	Allowance for Loan Loss	Percent of Loan in Category to Total Loans	Allowance for Loan Loss	Percent of Loan in Category to Total Loans	Allowance for Loan Loss	Percent of Loan in Category to Total Loans	Allowance for Loan Loss	Percent of Loan in Category to Total Loans	Allowance for Loan Loss
	(Dollars in thousands)								
2007	$960	14.94%	$937	57.03%	$591	26.64%	$1	1.38%	$2,489
2006	762	11.22%	633	62.09%	437	25.51%	2	1.18%	1,834
2005	556	9.82%	627	68.88%	275	20.15%	2	1.15%	1,460
2004	453	12.56%	469	72.88%	160	13.18%	2	1.38%	1,084
2003	389	19.65%	280	69.54%	65	8.49%	2	2.32%	736

Securities

We account for securities under FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities.* We have designated all securities in the investment portfolio as "available for sale" as further defined in Note 3 to our consolidated financial statements. Available for sale securities are required to be carried on the financial statements at fair value. The unrealized gains or losses, net of deferred income taxes, are reflected in stockholders' equity.

The market value of the available for sale securities at December 31, 2007 and 2006 was $32.8 million and $38.7 million, respectively. The unrealized loss after tax on the available for sale securities was $36 thousand at December 31, 2007 as compared to $312 thousand at December 31, 2006. The net market value loss at December 31, 2007 is reflective of market interest rates.

The carrying values of securities available for sale at the dates indicated were as follows:

	December 31,		
	2007	2006	2005
	(Dollars in thousands)		
U.S. Government securities	$21,501	$26,705	$24,687
Mortgage-backed securities	8,418	11,011	13,944
State and political subdivision obligations	1,010	1,015	990
Corporate bonds	1,895	-	-
	$32,824	$38,731	$39,621

Restricted equity securities consist primarily of Federal Reserve Bank stock, Federal Home Loan Bank of Atlanta stock and Community Bankers Bank stock. An increase in stock of the Federal Reserve Bank was due to increased capital at the subsidiary bank. Increase in stock in the FHLB was due to increased borrowing from the FHLB during 2007.

Deposits

The following table is a summary of average deposits and average rates paid on those deposits:

Average Deposits and Rates Paid

	2007		2006		2005	
	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate
			(Dollars in thousands)			
Noninterest-bearing deposits						
Demand deposits	$32,119	0.00%	$27,783	0.00%	$29,168	0.00%
Interest-bearing deposits						
Interest checking	9,063	1.06%	6,666	0.51%	6,288	0.49%
Savings	883	1.53%	734	1.50%	1,039	0.87%
Money market accounts	44,698	4.02%	24,829	3.04%	23,612	1.70%
Certificates of deposit	131,912	5.14%	119,838	4.59%	90,336	3.50%
	$218,675		$179,850		$150,443	

As of December 31, 2007, deposits were $255.1 million, a $60.8 million increase over December 31, 2006 deposits of $194.3 million. Average deposits increased 21.6% or $38.8 million compared to average deposits for the year ended December 31, 2006. Average money market accounts increased 80.0% or $19.9 million to $44.7 million from $24.8 million for the comparable period of 2006. Average Certificates of deposit grew $12.1 million for the year to $131.9 million.

Deposits increased $31.9 million to $194.3 million at December 31, 2006 from $162.4 million at December 31, 2005. Average deposits for the year ended December 31, 2006 increased 19.6% or $29.4 million compared to average deposits for the year ended December 31, 2005. Average Certificates of deposits grew $29.5 million for the year ended December 31, 2006 to $119.8 million.

During 2006, a new money market account was developed resulting in an increase in money market accounts of $8.5 million to $32.1 million at December 31, 2006. Certificate of deposits increased $21.0 million or 21.0% to $121.5 million at December 31, 2006 from $100.5 million at December 31, 2005. Non-interest bearing accounts increased $2.5 million or 8.1% to $32.9 million at year end 2006 as compared to $30.4 million at year end 2005.

The following table is a summary of the maturity distribution of certificates of deposit equal to or greater than $100,000 as of December 31, 2007:

	Maturities of Certificates of Deposit of $100,000 and Greater				
	Within Three Months	Three to Twelve Months	Over One Year	Total	Percent of Total Deposits
		(Dollars in thousands)			
At December 31, 2007	$14,140	$33,050	$21,348	$68,538	26.9%

Borrowings

At December 31, 2007 and 2006, our borrowings and the related weighted average interest rate were as follows:

	2007		2006		2005	
	Amount	Weighted-Average Rate	Amount	Weighted-Average Rate	Amount	Weighted-Average Rate
			(Dollars in thousands)			
Federal funds purchased	$9,261	1.88%	$6,026	5.35%	$10,270	4.20%
Repurchase agreements	2,103	3.11%	1,667	4.83%	680	3.51%
Federal Home Loan Bank advances	40,000	4.01%	30,000	3.94%	18,000	3.75%
Subordinated debt	7,155	6.59%	7,155	6.86%	2,000	6.33%
	$58,519		$44,848		$30,950	

Federal funds purchased have been a source of funds for the bank. We have various lines of credit available from certain of our correspondent banks in the aggregate amount of $20.5 million. These lines of credit, which bear interest at prevailing market rates, permit us to borrow funds in the overnight market, and are renewable annually. Advances from the FHLB constitute convertible advances with contractual maturities of five to ten years. All convertible advances have a call option remaining of various terms.

Interest Rate Sensitivity

The most important element of asset/liability management is the monitoring of the Company's sensitivity to interest rate movements. The income stream of the Company is subject to risk resulting from interest rate fluctuations to the extent there is a difference between the amount of the Company's interest earning assets and the amount of interest bearing liabilities that are prepaid, mature or repriced in specific periods. Our goal is to maximize net interest income within acceptable levels of risk to changes in interest rates. We seek to meet this goal by influencing the maturity and re-pricing characteristics of the various lending and deposit taking lines of business and by managing discretionary balance sheet asset and liability portfolios.

We monitor interest rate levels on a daily basis and meets in the form of the Asset/Liability Sub-Committee. The following reports and/or tools are used to assess the current interest rate environment and its impact on our earnings and liquidity: monthly and year to date net interest margin and spread calculations, monthly and year to date balance sheet and income statements versus budget, quarterly net portfolio value analysis, a weekly survey of rates offered by other local competitive institutions and GAP analysis (matching maturities or repricing dates of interest sensitive assets to those of interest sensitive liabilities by periods) and a Risk Manager model used to measure earnings at risk and economic value of equity at risk.

The data in the following table reflects repricing or expected maturities of various assets and liabilities. The gap analysis represents the difference between interest-sensitive assets and liabilities in a specific time interval. Interest sensitivity gap analysis presents a position that existed at one particular point in time, and assumes that assets and liabilities with similar repricing characteristics will reprice at the same time and to the same degree.

	December 31, 2007					
	1 to 90 Days	90 Days to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	(Dollars in thousands)					
Earning Assets:						
Gross loans	$126,819	$17,069	$54,039	$67,613	$31,365	$296,905
Investment securities	3,691	10,604	9,752	500	8,278	32,825
Total rate sensitive assets	$130,510	$27,673	$63,791	$68,113	$39,643	$329,730
Cumulative totals	130,510	158,183	221,974	290,087	329,730	
Interest-Bearing Liabilities:						
Interest checking	$ -	$7,710	$4,500	$ -	$ -	$12,210
Money market accounts	30,563	10,200	5,941	-	-	46,704
Savings deposits	-	-	728	-	-	728
Certificates of deposit	36,422	75,626	26,888	19,988	-	158,924
Federal funds purchased	9,261	-	-	-	-	9,261
FHLB borrowing and subordinated debt	5,155	25,000	17,000	-	-	47,155
Other liabilities	2,103	-	-	-	-	2,103
Total rate sensitive liabilities	$83,504	$118,536	$55,057	$19,988	$ -	$277,085
Cumulative totals	83,504	202,040	257,097	277,085	277,085	
Interest sensitivity gap	$47,006	($90,863)	$8,734	$48,125	$39,643	
Cumulative interest sensitivity gap	47,006	(43,857)	(35,123)	13,002	52,645	
Cumulative interest sensitive gap as a percentage of earning assets	14.3%	-13.3%	-10.7%	3.9%	16.0%	

Capital Resources and Dividends

We have an ongoing strategic objective of maintaining a capital base that supports the pursuit of profitable business opportunities, provides resources to absorb risk inherent in our activities and meets or exceeds all regulatory requirements.

The Federal Reserve Board has established minimum regulatory capital standards for bank holding companies and state member banks. The regulatory capital standards categorize assets and off-balance sheet items into four categories that weight balance sheet assets according to risk, requiring more capital for holding higher risk assets. At December 31, 2007 and 2006, our Tier 1 leverage ratio (Tier 1 capital to average total assets) was 12.50% and 8.80% respectively. Tier 1 risk based capital ratios at December 31, 2007 and 2006 were 12.98% and 10.39% respectively. Total risk based capital to risk weighted assets at December 31, 2007 and 2006 were 14.44% and 12.28%. Our capital structure exceeds regulatory guidelines established for well capitalized institutions, which affords us the opportunity to take advantage of business opportunities while ensuring that we have the resources to protect against risk inherent in our business.

	December 31,	
	2007	2006
	(Dollars in thousands)	
Tier 1 capital:		
Common stock	$11,885	$7,184
Retained earnings	23,011	8,786
Total equity	34,896	15,970
Trust preferred debt	5,155	5,155
Total Tier 1 capital	40,051	21,125
Tier 2 capital:		
Allowance for loan losses	2,489	1,834
Subordinated debt	2,000	2,000
Total Tier 2 capital	4,489	3,834
Total risk-based capital	$44,540	$24,959
Risk-weighted assets	$308,511	$203,258
Capital ratios:		
Tier 1 leverage ratio	12.50%	8.80%
Tier 1 risk based capital	12.98	10.39
Total risk based capital	14.44	12.28

Liquidity

Liquidity represents an institution's ability to meet present and future financial obligations through either the sale or maturity of existing assets or the acquisition of additional funds through liability management. Liquid assets include cash, interest-bearing deposits with banks, federal funds sold, short-term investments, securities classified as available for sale as well as loans and securities maturing within one year. As a result of our management of liquid assets and the ability to generate liquidity through liability funding, management believes we maintain overall liquidity sufficient to satisfy our depositors' requirements and meet our clients' credit needs.

We also maintain additional sources of liquidity through a variety of borrowing arrangements. The bank maintains federal funds lines with a large regional money-center banking institution and a local community bankers bank. These available lines currently total approximately $19.5 million, of which $9.3 was outstanding at December 31, 2007. In addition, securities have been pledged to the local community bankers bank allowing for an additional line of approximately $5.0 million.

We have a credit line at the Federal Home Loan Bank of Atlanta in the amount of approximately $42.0 million which may be utilized for short and/or long-term borrowing. Advances from the Federal Home Loan Bank totaled $40.0 million at December 31, 2007.

At December 31, 2007, cash, federal funds sold, short-term investments, securities available for pledge or sale were 12.2% of total deposits. At December 31, 2006, cash, federal funds sold, short-term investments, securities available for pledge or sale were 17.3% of total deposits.

ITEM 7. FINANCIAL STATEMENTS

The following 2007 Financial Statements of First Capital Bancorp, Inc. are included after the signature pages to this Report on Form 10-KSB:

Report of Independent Registered Public Accounting Firm
Consolidated Statements of Financial Condition December 31, 2007 and 2006
Consolidated Statements of Income for the Years Ended December 31, 2007 and 2006
Consolidated Statements of Stockholders' Equity and Comprehensive Income
for the Years Ended December 31, 2007 and 2006
Consolidated Statements of Cash Flows for the Years ended December 31, 2007 and 2006
Notes to Consolidated Financial Statements

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in or disagreements with accountants on accounting and financial disclosure during the last fiscal year.

ITEM 8A. CONTROLS AND PROCEDURES

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of published financial statements in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2007. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework.* Based on management's assessment, management believes that as of December 31, 2007, the Company's internal control over financial reporting was effective based on criteria set forth by COSO in *Internal Control-Integrated Framework.*

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

ITEM 8B. OTHER INFORMATION

None

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

Audit Committee Financial Expert. The applicable information contained in the section captioned "Proposal No. 1 – Election of Directors – Audit Committee" in the definitive proxy statement for the Annual Meeting of Stockholders to be held on May 21, 2008 (the "Proxy Statement") is incorporated herein by reference.

Code of Ethics. The Bank has adopted (i) A Banker's Professional Code of Ethics, and (ii) a Code of Conduct and Conflict of Interest, both of which are applicable to its principal executive officer, principal financial officer and principal accounting officer or controller. The codes are filed as exhibits to this Report on Form 10-KSB.

The information contained under the section captioned "Proposal No. 1– Election of Directors" in the Proxy Statement is incorporated herein by reference.

Additional information concerning executive officers is included in the Proxy Statement in the section captioned "Proposal No. 1 – Election of Directors - Section 16(a) Beneficial Ownership Reporting Compliance."

ITEM 10. EXECUTIVE COMPENSATION.

The information contained in the section captioned "Proposal No. 1 – Election of Directors – Executive Compensation" in the Proxy Statement is incorporated herein by reference.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

(a) Security Ownership of Certain Beneficial Owners

Information required by this item is incorporated herein by reference to the section captioned "Voting Securities and Principal Stockholders" in the Proxy Statement.

(b) Security Ownership of Management

Information required by this item is incorporated herein by reference to the chart in the section captioned "Voting Securities and Principal Stockholders" in the Proxy Statement.

(c) Management of First Capital Bancorp, Inc. knows of no arrangements, including any pledge by any person of securities of the First Capital Bancorp, Inc., the operation of which may at a subsequent date result in a change in control of First Capital Bancorp, Inc.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this item is incorporated herein by reference to the section captioned "Proposal No. 1 - Election of Directors – Certain Relationships and Related Transactions" in the Proxy Statement.

ITEM 13. EXHIBITS.

The following exhibits are filed as part of this Form 10-KSB.

No.	Description
2.1	Agreement and Plan of Reorganization dated as of September 5, 2006, by and between First Capital Bancorp, inc. and First Capital Bank.[1]
3.1	Articles of Incorporation of First Capital Bancorp, Inc.[2]
3.2	Amended and Restated Bylaws of First Capital Bancorp, Inc.[3]
4.1	Specimen Common Stock Certificate of First Capital Bancorp, Inc. [4]
10.1	2000 Stock Option Plan (formerly First Capital Bank 2000 Stock Option Plan).[5]
10.2	Employment Agreement dated December 20, 2000, between First Capital Bank and Robert G. Watts, Jr.[5]
10.3	Amended and Restated Change in Control Agreement dated September 15, 2006 between First Capital Bank and William W. Ranson
24	Power of Attorney included on signature page
21.1	List of Subsidiaries.[4]
31.1	Certification of Robert G. Watts, Jr., Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 21, 2007
31.2	Certification of William W. Ranson, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated March 21, 2007
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	A Banker's Professional Code of Ethics as adopted by First Capital Bank[6]
99.2	Code of Conduct and Conflict of Interest as adopted by First Capital Bank[6]

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[1] Expressly incorporated herein by reference from the Registrant's Current Report on Form 8-K12g-3 filed with the Securities and Exchange Commission on September 12, 2006. The Exhibit numbers set forth above correspond to the Exhibit numbers in the Form 8-K12g-3.

[2] Expressly incorporated herein by reference from the Registrant's report on Form 10-QSB filed with the

Securities and Exchange Commission on November 13, 2006. The Exhibit number set forth above corresponds to the Exhibit number in the Form 10-QSB.

[3] Expressly incorporated herein by reference from the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 22, 2007. The Exhibit numbers set forth above correspond to the Exhibit numbers in the Form 8-K.

[4] Expressly incorporated herein by reference from the Registrant's Registration Statement on Form SB-2 filed with the Securities and Exchange Commission on March 16, 2007. The Exhibit number set forth above corresponds to the Exhibit number in the Form SB-2.

[5] Expressly incorporated herein by reference from the Registrant's Amendment No. 1 to Registration Statement on Form SB-2 filed with the Securities and Exchange Commission on April 26, 2007. The Exhibit number set forth above corresponds to the Exhibit number in the Amendment No. 1.

[6] Expressly incorporated herein by reference from the Registrant's Report on Form 10-KSB/A filed with the Securities and Exchange Commission on June 13, 2007. The Exhibit number set forth above corresponds to the Exhibit number in the Form 10-KSB/A.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information contained in the sections captioned "2007 Audit Committee Report" and "Proposal No. 3 – Appointment of Independent Registered Public Accounting Firm" in the Proxy Statement is incorporated herein by reference.

Exhibits to Form 10-KSB; Financial Information

A copy of any of the exhibits to this Report on Form 10-KSB and copies of any published annual or quarterly reports will be furnished without charge to the stockholders as of the record date, upon written request to William W. Ranson, Senior Vice President & Chief Financial Officer, 4222 Cox Road, Suite 200, Glen Allen, Virginia 23060.

Independent Registered Public Accounting Firm

Cherry, Bekaert & Holland, L.L.P.
1700 Bayberry Court, Suite 300, Richmond, VA 23226-3791

General and SEC Counsel

Cantor Arkema, P.C.
1111 East Main Street, Richmond, VA 23218-0561

Annual Stockholders' Meeting

The Annual Meeting of stockholders will be held at 10:00 a.m. on Wednesday, May 21, 2008 at the Comfort Suites, 4051 Innslake Drive, Glen Allen, Virginia in Innsbrook.

Exhibit 31.1

I, Robert G. Watts, Jr., certify that:

1. I have reviewed this annual report on Form 10-KSB of the Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Bank as of, and for, the periods presented in this annual report;

4. The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and have;

a. designed such disclosure controls and procedures to ensure that material information relating to the Company is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b. evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Company's other certifying officers and I have disclosed, based on our most recent evaluation, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions);

a. all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize, and report financial data, and I have identified for the Company's auditors any material weaknesses in internal controls; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and

6. The Company's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 19, 2008

/s/ Robert G. Watts, Jr.
Robert G. Watts, Jr.
President and Chief Financial Officer

Exhibit 31.2

I, William W. Ranson certify that:

1. I have reviewed this annual report on Form 10-KSB of the Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Bank as of, and for, the periods presented in this annual report;

4. The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and have;

    a. designed such disclosure controls and procedures to ensure that material information relating to the Company is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

    b. evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

    c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Company's other certifying officers and I have disclosed, based on our most recent evaluation, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions);

    a. all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize, and report financial data, and I have identified for the Company's auditors any material weaknesses in internal controls; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and

6. The Company's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 19, 2008

/s/ William W. Ranson
William W. Ranson
Senior Vice President
and Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C.SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies that this Annual Report on Form 10-KSB/A fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in such report fairly presents, in all material respects, the financial condition and results of operation of First Capital Bancorp, Inc.

Date: March 19, 2008

By: /S/ Robert G. Watts, Jr.
Robert G. Watts, Jr.
President and Chief Executive Officer

By: /S/ William W. Ranson
William W. Ranson
Senior Vice President and CFO
(Principal Accounting and Financial Officer)

SIGNATURE

The undersigned hereby appoint William W. Ranson and Robert G. Watts, Jr., and each of them, as attorneys and agents for the undersigned, with full power of substitution, for and in the name, place and stead of the undersigned, to sign and file with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, any and all exhibits and amendments to this 10-KSB, and any and all instruments and other documents to be filed with the Securities and Exchange Commission pertaining to this 10-KSB, with full power and authority to do and perform any and all acts and things whatsoever requisite or desirable.

FIRST CAPITAL BANCORP, INC.

Date: March 19, 2008

By: /s/ Robert G. Watts, Jr.
Robert G. Watts, Jr.
President and Chief Executive Officer

Pursuant to the requirements of Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant, in the capacities and on the dates indicated.

Date: March 19, 2008

/s/ Robert G. Watts, Jr.
Robert G. Watts, Jr.
President, Chief Executive Officer and Director

Date: March 19, 2008

/s/ William W. Ranson
William W. Ranson
Senior Vice President and CFO
(Principal Accounting and Financial Officer)

Date: March 19, 2008

/s/ P. C. Amin
P. C. Amin, Director

Date: March 19, 2008

/s/ Gerald Blake
Gerald Blake, Director

Date: March 26, 2008

/s/ Grant S. Grayson
Grant S. Grayson, Director

Date: March 19, 2008 /s/ Yancey S. Jones
Yancey S. Jones, Director

Date: March , 2008 ____________________
Jay M. Weinberg, Director

Date: March 19, 2008 /s/ Joseph C. Stiles, Jr.
Joseph C. Stiles, Jr., Director

Date: March 19, 2008 /s/ Richard W. Wright
Richard W. Wright, Director

Date: March 19, 2008 /s/ Gerald H. Yospin
Gerald H. Yospin, Director

Date: March 19, 2008 /s/ Debra L. Richardson
Debra L. Richardson, Director

Date: March 19, 2008 /s/ Kamlesh N. Dave, Director
Kamlesh N. Dave, Director

FIRST CAPITAL BANCORP, INC. AND SUBSIDIARY

Consolidated Financial Statements

For the Years Ended
December 31, 2007 and 2006

FIRST CAPITAL BANCORP, INC. AND SUBSIDIARY

Contents

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Report of Independent Registered Public Accounting Firm

The Board of Directors
And Stockholders
First Capital Bancorp, Inc.
Richmond, Virginia

We have audited the accompanying consolidated statements of financial condition of First Capital Bancorp, Inc. and Subsidiary (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial condition of First Capital Bancorp, Inc. and Subsidiary, as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States of America.

Cherry, Bekaert & Holland, L.L.P.

Richmond, Virginia
March 26, 2008

First Capital Bancorp, Inc. and Subsidiary
Consolidated Statements of Financial Condition
December 31, 2007 and 2006

	2007	2006
ASSETS		
Cash and due from banks	$16,779,538	$7,034,047
Short term debt securities	-	4,997,979
Total cash and cash equivalents	16,779,538	12,032,026
Investment securities:		
Available for sale, at fair value	32,824,537	38,730,975
Restricted, at cost	3,183,739	2,389,139
Loans, net of allowance for losses	294,234,285	199,751,483
Premises and equipment, net	2,077,820	2,119,379
Accrued interest receivable	1,807,939	1,425,364
Deferred tax asset	319,097	308,503
Other assets	640,013	483,776
Total assets	$351,866,968	$257,240,645
LIABILITIES		
Deposits		
Noninterest-bearing	$36,541,568	$32,878,408
Interest-bearing	218,566,755	161,424,027
Total deposits	255,108,323	194,302,435
Accrued expenses and other liabilities	3,380,648	2,431,031
Securities sold under repurchase agreements	2,102,939	1,667,064
Federal funds purchased	9,261,000	6,026,000
Subordinated debt	7,155,000	7,155,000
Federal Home Loan Bank advances	40,000,000	30,000,000
Total liabilities	317,007,910	241,581,530
STOCKHOLDERS' EQUITY		
Common stock, $4.00 par value (authorized 5,000,000 shares; shares issued and outstanding, 2,971,171 and 1,796,021 at December 31, 2007 and 2006 respectively)	11,884,684	7,184,084
Additional paid-in capital	18,492,528	6,010,352
Retained earnings	4,518,278	2,776,277
Accumulated other comprehensive (loss), net of tax	(36,432)	(311,598)
Total stockholders' equity	34,859,058	15,659,115
Total liabilities and stockholders' equity	$351,866,968	$257,240,645

See notes to consolidated financial statements.

First Capital Bancorp Inc. and Subsidiary
Consolidated Statements of Income
Years Ended December 31, 2007 and 2006

	December 31	
	2007	2006
Interest income		
Loans	$18,361,582	$13,262,936
Investments:		
Taxable interest income	1,543,005	1,646,071
Tax exempt interest income	40,715	41,055
Dividends	144,553	115,054
Federal funds sold	266,369	198,313
Total interest income	20,356,224	15,263,429
Interest expense		
Deposits	8,690,449	6,303,839
FHLB advances	1,213,239	1,020,170
Federal funds purchased	78,896	93,959
Subordinated debt and other borrowed money	580,622	273,250
Total interest expense	10,563,206	7,691,218
Net interest income	9,793,018	7,572,211
Provision for loan loss	675,700	404,300
Net interest income after provision for loan loss	9,117,318	7,167,911
Noninterest income		
Fees on deposits	220,811	166,392
Fees on mortgage loans	157,740	34,135
Gain on sale of securities	29,271	-
Other	401,288	264,300
Total noninterest income	809,110	464,827
Noninterest expenses		
Salaries and employee benefits	3,812,216	2,606,344
Occupancy expense	739,600	601,684
Data processing	526,938	427,599
Professional services	172,094	147,890
Advertising and marketing	195,247	81,830
FDIC assessment	159,638	21,653
Virginia capital stock tax	296,000	184,425
Depreciation	342,538	323,020
Other expenses	1,015,256	866,074
Total noninterest expense	7,259,527	5,260,519
Net income before provision for income taxes	2,666,901	2,372,219
Income tax expense	924,900	801,000
Net income	$1,742,001	$1,571,219
Basic income per share	$ 0.72	$ 0.87
Diluted income per share	$ 0.71	$ 0.83

See notes to consolidated financial statements.

First Capital Bancorp, Inc. and Subsidiary
Consolidated Statements of Stockholders' Equity and Comprehensive Income
Years Ended December 31, 2007 and 2006

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total Stockholders' Equity
Balance January 1, 2006	$7,184,084	$6,004,655	$1,205,058	($424,183)	$13,969,614
Net income	-	-	1,571,219	1,571,219	1,571,219
Other comprehensive loss					
Unrealized holding gain arising during period, (net of tax, $57,998)	-	-	-	112,585	112,585
Total comprehensive income				$1,683,804	
Stock based compensation expense	-	5,697	-	-	5,697
Balance January 1, 2007	$7,184,084	$6,010,352	$2,776,277	$ (311,598)	$15,659,115
Stock offering	4,691,600	13,781,575	-	-	18,473,175
Cost associated with stock offering	-	(1,396,330)	-	-	(1,396,330)
Stock options exercised	9,000	15,000	-	-	24,000
Net income	-	-	1,742,001	1,742,001	1,742,001
Other comprehensive loss					
Unrealized holding gain arising during period, (net of tax, $141,752)	-	-	-	275,166	275,166
Total comprehensive income				$2,017,167	
Stock based compensation expense	-	81,931	-	-	81,931
Balance at December 31, 2007	$11,884,684	$18,492,528	$4,518,278	($36,432)	$34,859,058

See notes to consolidated financial statements.

First Capital Bancorp, Inc. and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2007 and 2006

		2007		2006
Cash flows from operating activities				
Net income	$	1,742,001		$1,571,219
Adjustments to reconcile net income to net cash provided by operating activities				
Provision for loan losses		675,700		404,300
Depreciation of premises and equipment		342,538		323,020
Stock based compensation expense		81,931		5,697
Deferred income taxes		(152,347)		(94,626)
Net amortization of bond premiums/discounts		12,788		31,587
Reduction in equity in VBA Investment Services, Inc.		-		1,900
Gain on sale of securities		(29,271)		-
Increase in other assets		(156,238)		(155,210)
Increase in accrued interest receivable		(382,575)		(324,477)
Increase in accrued expenses and other liabilities		949,617		209,580
Net cash provided by operating activities		3,084,144		1,972,990
Cash flows from investing activities				
Proceeds from maturities and calls of securities		8,000,000		3,040,000
Proceeds from paydowns of securities available-for-sale		2,692,805		2,981,939
Purchase of Federal Reserve Stock		(300,900)		(141,000)
Proceeds from sale of securities available for sale		3,003,281		-
Purchase of securities available-for-sale		(7,356,245)		(4,992,500)
Purchase of FHLB Stock		(493,700)		(653,800)
Purchase securities in FCRV Statutory Trust 1		-		(155,000)
Purchases of property and equipment		(300,979)		(460,717)
Net increase in loans		(95,158,502)		(45,554,265)
Net cash used in investing activities		(89,914,240)		(45,935,343)
Cash flows from financing activities				
Net increase in demand, savings and money market accounts		23,382,162		10,867,625
Net increase in certificates of deposit		37,423,726		21,047,258
Stock offering proceeds, net of related expenses		17,076,845		-
Exercise of stock options		24,000		-
Advances from FHLB		20,000,000		12,000,000
FHLB advances called		(10,000,000)		-
Issuance of Junior Subordinated Debt		-		5,155,000
Increase (decrease) in Federal funds purchased		3,235,000		(4,244,000)
Net increase in repurchase agreements		435,875		986,873
Net cash provided by financing activities		91,577,608		45,812,756
Net increase in cash and cash equivalents		4,747,512		1,850,403
Cash and cash equivalents, beginning of period		12,032,026		10,181,623
Cash and cash equivalents, end of period	$	16,779,538	$	12,032,026
Supplemental disclosure of cash flow information				
Interest paid during the period	$	10,583,123	$	7,591,939
Taxes paid during the period	$	1,233,533	$	1,304,910

See notes to consolidated financial statements.

Note 1 - Summary of significant accounting policies

First Capital Bancorp, Inc. (the "Company") is the holding company of and successor to First Capital Bank (the "Bank"). Effective September 8 , 2006, the Company acquired all of the outstanding stock of the Bank in a statutory share exchange transaction (the "Share Exchange") pursuant to an Agreement and Plan of Reorganization dated September 5, 2006, between the Company and the Bank (the "Agreement"). The Agreement was approved by the shareholders of the Bank at the annual meeting of shareholders held on May 16, 2006. Under the terms of the Agreement, the shares of the Bank's common stock were exchanged for shares of the Company's common stock, par value $4.00 per share, on a one-for-one basis. As a result, the Bank became a wholly owned subsidiary of the Company, the Company became the holding company of the Bank and the shareholders of the Bank became shareholders of the Company. All references to the Company in this annual report for dates or periods prior to September 8, 2006 are references to the Bank.

The Company conducts all of its business activities through the branch offices of its wholly owned subsidiary bank, First Capital Bank. The Company exists primarily for the purpose of holding the stock of its subsidiary, the Bank, and such other subsidiaries as it may acquire or establish.

The accounting and reporting policies of the Company and its wholly owned subsidiary conform to accounting principles generally accepted in the United States of America and general practices within the financial services industry. The following is a summary of the more significant of these policies.

Consolidation – The consolidated financial statements include the accounts of First Capital Bancorp, Inc. and its wholly owned subsidiary. All material intercompany balances and transactions have been eliminated.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses. The estimation process may include management obtaining independent appraisals for significant collateral properties, but the ultimate collectibility and recovery of carrying amounts are susceptible to changes in the local real estate market and other local economic conditions.

Management uses available information to recognize losses on loans; future additions to the allowances may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for losses on loans. Such agencies may require the Bank to recognize additions to the allowances based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the allowance for losses on loans may change in the near term.

Cash equivalents - Cash equivalents include short-term highly liquid investments with maturities of three months or less at the date of purchase, including Federal funds sold.

Securities - Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities", requires certain securities to be classified as "held to maturity", "trading" or "available-for-sale", according to management's intent and ability, at the time of purchase.

Note 1 - Summary of significant accounting policies (continued)

Debt securities that are purchased with the positive intent and ability to hold to maturity or call date are classified as held-to-maturity. They are carried and reported at amortized cost. The amortization of premium and accretion of discount are recognized as adjustments to interest income using the interest method.

Debt and equity securities classified as available-for-sale are those needed to meet liquidity needs, provide portfolio restructuring, or to minimize interest rate market risk. They are carried at their market value, with unrealized gains and losses excluded from income and reported net of tax effect as a separate component of stockholders' equity.

Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities.

The Company as a matter of policy does not trade securities and therefore does not classify any of its securities as such. Realized gains and losses on the sale of available-for-sale securities are determined using the specific-identification method and recognized on a trade-date basis. Premiums and discounts are recognized in interest income using the interest method over the period to maturity or to call dates.

Due to the nature of, and restrictions placed upon the Company's common stock investment in the Federal Reserve Bank, Federal Home Loan Bank of Atlanta and Community Bankers Bank, these securities have been classified as restricted equity securities and carried at cost. These restricted securities are not subject to the investment security classifications of SFAS 115.

Loans and allowances for loan losses - Loans are concentrated to borrowers in the Richmond metropolitan area and are stated at the amount of unpaid principal reduced by an allowance for loan losses. Interest on loans is calculated by using the simple interest method on daily balances on the principal amount outstanding. The accrual of interest on loans is discontinued when, in the opinion of management, there is an indication that the borrower may be unable to meet payments as they become due. The Company defers loan origination and commitment fees, net of certain direct loan origination costs, and the net deferred fees are amortized into interest income over the lives of the related loans as yield adjustments.

Loans that are 90 days or more past due are individually reviewed for ultimate collectibility. Interest determined to be uncollectible on loans that are contractually past due is charged off, or an allowance is established based on management's periodic evaluation. The allowance is established by a charge to interest income equal to all interest previously accrued, and income is subsequently recognized only to the extent that cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments is returned to normal, in which case the loan is returned to accrual status.

The allowance for loan losses is maintained at a level considered by management to be adequate to absorb known and expected loan losses currently inherent in the loan portfolio. Management's assessment of the adequacy of the allowance is based upon type and volume of the loan portfolio, existing and anticipated economic conditions, and other factors which deserve current recognition in estimating loan losses. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. Management's assessment of the adequacy of the allowance is subject to evaluation and adjustment by the Bank's regulators.

The Company follows Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan." A loan is defined as impaired when, based on current information and events, it is

Note 1 - Summary of significant accounting policies (continued)

probable that the creditor will be unable to collect all amounts of principal and interest due according to the contractual terms of the loan agreement. Impairment is measured either by discounting the expected future cash flows at the loan's effective interest rate, based on the net realizable value of the collateral or based upon an observable market price where applicable.

Bank premises and equipment - Company premises and equipment are stated at cost, less accumulated depreciation. Depreciation of Company premises and equipment is computed on the straight-line method over estimated useful lives of 10 to 50 years for premises and 5 to 20 years for equipment, furniture and fixtures. Maintenance and repairs are charged to expense as incurred and major improvements are capitalized. Upon sale or retirement of depreciable properties, the cost and related accumulated depreciation are netted against the proceeds and any resulting gain or loss is included in the determination of income.

Income taxes - Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period that includes the enactment date.

Advertising costs - Advertising costs are expensed in the period they are incurred and amounted to $195,247 and $81,830 for December 31, 2007 and 2006, respectively.

Stock Based Compensation – In October 1995, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation*, which encouraged companies to recognize expense for stock-based awards based on their estimated value on the date of grant. SFAS 123 permitted companies to account for stock-based compensation based on provisions prescribed in SFAS 123, or based on the authoritative guidance in Accounting Principles Board Opinion No. 25 ("APB 25"), *Accounting for Stock Issued to Employees*. The Bank elected to account for its stock-based compensation in accordance with APB 25, which used the intrinsic value method; however, as required by SFAS 123, the Bank disclosed the pro forma impact on the financial statements assuming the measurement provisions of SFAS 123 had been adopted.

In December 2004, the FASB issued Statement No. 123R, *Shared-Based Payment* ("SFAS 123R"). SFAS 123R is a revision of SFAS No. 123, *Accounting for Stock Based Compensation*, supersedes APB Opinion No. 25 and amends FASB Statement No. 95, *Statement of Cash Flows*. SFAS 123R eliminates the ability to account for share-based compensation using APB Opinion No. 25 and requires that all share-based payments to employees, including grants of employee stock options, to be recognized as compensation in the financial statements using a fair value-based method. SFAS 123R is effective for nonpublic companies as of the beginning of the first annual reporting period that begins after December 15, 2005. SFAS 123R was adopted by the Bank beginning with the year ended December 31, 2006.

SFAS 123R requires public companies to adopt the recognition requirements using either a "modified prospective" method or a "modified retrospective" method. Under the "modified prospective" method, compensation cost is recognized in the financial statements beginning with the effective date, based on the requirements of SFAS 123R for all shared-based payments granted after that date, and based on the requirements of SFAS 123R for all unvested awards granted prior to the effective date of SFAS 123R. Under the "modified retrospective" method, the requirements are the same as under the "modified prospective" method, but also permits entities to restate financial statements of previous periods based on pro forma

Note 1 - Summary of significant accounting policies (concluded)

disclosures made in accordance with SFAS 123.

The Bank adopted SFAS 123R under the "modified prospective" method effective January 1, 2006. The Bank has begun to recognize compensation expense for options that have been issued but not yet vested as of January 1, 2006. In addition, options issued after January 1, 2006 will increase compensation expense for 2006 and afterward. In December 2005, the Board of Directors approved the acceleration of vesting of all unvested stock options outstanding prior to December 31, 2005. The Board agreed to accelerate the vesting of options in order to eliminate the recognition of compensation expense associated with the affected unvested options under SFAS No. 123R. Management determined that the acceleration of vesting did not represent a renewal or extension which increased the life of the stock options as contemplated by FIN 44, *Accounting for Certain Transactions involving Stock Compensation* and consequently did not result in a new measurement date for purposes of determining compensation expense. Options that were granted during 2007 and 2006 resulted in additional compensation expense of $81,931. Future levels of compensation cost recognized related to share-based compensation awards may be impacted by new awards and/or modification, repurchases and cancellations of existing awards after the adoption of this standard.

Comprehensive income – SFAS No. 130, *Reporting Comprehensive Income*, requires the Company to classify items of "Other Comprehensive Income" (such as net unrealized gains (losses) on available-for-sale securities) by their nature in a financial statement and present the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. The Company's other comprehensive income consists of net income and net unrealized gains (losses) on securities available-for-sale, net on income taxes.

Reclassification - Certain reclassifications have been made in the prior year's financial statements to conform to the 2007 presentation.

Note 2 – Restrictions of cash

To comply with Federal Reserve regulations, the Company is required to maintain certain average cash reserve balances. The daily average cash reserve requirements were approximately $1,053,000 for the week including December 31, 2007 and $739,000 for the week including December 31, 2006.

Note 3 – Investment Securities

The amortized costs, gross unrealized gains, gross unrealized losses and fair values for securities are as follows:

	December 31, 2007			
	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Values
	(Dollars in thousands)			
Available-for-sale				
U.S. Government agencies	$21,455,876	$50,543	$5,590	$21,500,829
Mortgage-backed securities	8,493,006	27,725	102,396	8,418,335
Corporate bonds	1,921,847	-	26,722	1,895,125
Tax-exempt municipal bonds	1,008,492	3,495	1,739	1,010,248
	$32,879,221	$81,763	$136,447	$32,824,537

Note 3 – Investment Securities (continued)

	December 31, 2006			
	Amortized	Gross Unrealized		Fair
	Costs	Gains	Losses	Values
	(Dollars in thousands)			
Available-for-sale				
U.S. Government agencies	$26,976,555	$ -	$271,398	$26,705,157
Mortgage-backed securities	11,214,822	5,501	209,881	11,010,442
Tax-exempt municipal bonds	1,011,202	4,790	616	1,015,376
	$39,202,579	$10,291	$481,895	$38,730,975

The amortized cost, weighted average yield and estimated fair value of debt securities at December 31, 2007, by contractual maturity, were as follows:

	Amortized Cost	Weighted Average Yield	Fair Value
Due in one year or less	$10,105,844	4.29%	$10,100,416
Due after one year through five years	10,239,183	4.69%	10,251,288
Due after five years through ten years	3,889,142	5.41%	3,891,688
Due after ten years	8,645,052	4.59%	8,581,145
	$32,879,221	4.63%	$32,824,537

The following table details unrealized losses and related fair values in the Company's available-for-sale investment securities portfolios. All unrealized losses on investment securities are a result of volatility in the market during 2007 and 2006. At December 31, 2007 there were 20 out of 33 mortgage-backed securities with fair values less than amortized cost. All unrealized losses are considered by management to be temporary given investment security credit ratings, the short duration of the unrealized losses and the intent to hold debt securities in an unrealized loss position greater than twelve months for the foreseeable future. This information is aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2007 and 2006:

	December 31, 2007			
	Less than 12 Months		12 Months or More	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agencies	$ 1,497,656	$ 2,344	$ 3,996,875	$ 3,246
Mortgage-backed securities	800,420	2,623	5,292,179	99,773
Corporate bonds	1,895,125	26,722	-	-
Tax-exempt municipal bonds	459,741	1,739	-	-
Total	$ 4,652,942	$ 33,428	$ 9,289,054	$ 103,019

Note 3 – Investment Securities (concluded)

	December 31, 2006			
	Less than 12 Months		12 Months or More	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agencies	$ 4,981,250	$ 11,358	$ 21,723,907	$ 260,040
Mortgage-backed securities	514,282	801	9,221,048	209,080
Tax-exempt municipal bonds	174,386	616	-	-
Total	$ 5,669,918	$ 12,775	$ 30,944,955	$ 469,120

Gross realized gains on the sale of available for sale securities of $29,271 were realized in the fourth quarter of 2007.

Restricted equity securities consist of Federal Reserve Bank stock in the amount of $831,600 and $530,700, Federal Home Loan Bank of Atlanta stock in the amount of $2,262,800 and $1,769,100, and Community Bankers Bank stock in the amount of $62,750 and $62,750 as of December 31, 2007 and 2006. Restricted equity securities are carried at cost. The Federal Home Loan Bank requires the Bank to maintain stock in an amount equal to 4.5% of outstanding borrowings and a specific percentage of the member's total assets. The Federal Reserve Bank of Richmond requires the Company to maintain stock with a par value equal to 3% of its outstanding capital.

The remainder of restricted securities consists of investments in Limited Liability Companies that provide title insurance and investment services to the Bank's customers. Investment in these Limited Liability Companies was $26,589 as of December 31, 2007 and 2006, respectively.

Securities with a market value of approximately $18,581,700 and $17,235,900 were pledged as collateral at December 31, 2007 and 2006, respectively to secure purchases of federal funds, repurchase agreements, collateral for customer's deposits and collateral to secure public deposits.

Note 4 – Loans

Major classifications of loans are as follows:

	December 31,	
	2007 Amount	2006 Amount
Commercial	$44,366,926	$22,619,140
Real estate - residential	83,035,119	62,165,461
Real estate - commercial	86,301,455	63,062,146
Real estate - construction	79,095,777	51,449,972
Consumer	4,105,713	2,387,287
Total loans	296,904,990	201,684,006
Less:		
Allowance for loan losses	2,489,066	1,833,604
Net deferred fees	181,639	98,919
Loans, net	$294,234,285	$199,751,483

Note 4 – Loans (concluded)

A summary of the transactions affecting the allowance for loan losses follows:

	2007	2006
Balance, beginning of year	$1,833,604	$1,460,230
Provision for loan losses	675,700	404,300
Recoveries	3,584	550
Charge-offs	(23,822)	(31,476)
Balance, end of year	$2,489,066	$1,833,604

The following is a summary of information pertaining to impaired loans:

	2007	2006
Impaired loans with related allowance	$800,139	$862,360
Allowance on impaired loans	$718,572	$718,212
Average balance of impaired loans	$784,876	$873,810
Interest income recognized and collected on impaired loans	$73,004	$72,947

No additional funds are committed to be advanced in connection with impaired loans. Nonaccrual loans excluded from impaired loan disclosure under SFAS 114 amounted to $50,000 and $120,000 at December 31, 2007 and 2006. If interest on these loans had been accrued such income would have approximated $4,014 and $7,090, respectively. Excluding the nonaccrual loan, there were no loans past due 90 days or more at December 31, 2007 and 2006.

Note 5 - Premises and equipment

Major classifications of these assets are summarized as follows:

	December 31,	
	2007	2006
Land	$228,005	$228,005
Building	719,434	719,434
Furniture and equipment	1,832,126	1,581,005
Leasehold improvements	711,598	661,739
	3,491,163	3,190,183
Less acculumated depreciation	1,413,343	1,070,804
Premises and equipment, net	$2,077,820	$2,119,379

Note 5 - Premises and equipment (concluded)

Accumulated depreciation and amortization at December 31 was as follows:

	2007	2006
Building	$41,506	$23,059
Furniture and equipment	1,040,196	816,190
Leasehold improvements	331,641	231,555
	$1,413,343	$1,070,804

Certain Company premises and equipment are leased under various operating leases. Rental expense was $637,426 and $507,391 in 2007 and 2006, respectively.

Future minimum payments, by year and in the aggregate for operating leases with initial or remaining terms in excess of one year as of December 31, 2007 including leases entered into in 2008 for a future branch are as follows:

2008	$677,617
2009	620,975
2010	630,362
2011	619,528
2012	436,091
Thereafter	718,587
	$3,703,160

Note 6 - Deposits

Major categories of deposits at December 31, 2007 and 2006 follow:

	2007		2006	
	Amount	Average Rate	Amount	Average Rate
Noninterest-bearing deposits				
Demand deposits	$36,541,568	0.00%	$32,878,408	0.00%
Interest-bearing deposits				
Money market and NOW accounts	59,642,568	2.90%	39,923,566	2.56%
Certificates of deposit				
Less than $100,000	90,385,934	5.04%	68,623,426	4.95%
Greater than $100,000	68,538,253	5.08%	52,877,035	5.10%
	$255,108,323		$194,302,435	

Note 6 – Deposits (concluded)

Time deposits will mature as follows:

2008	$112,059,778
2009	11,477,997
2010	15,510,218
2011	7,694,870
2012	12,181,324
	$158,924,187

The aggregate amount of deposits exceeding $100,000 was $130,187,905 and $96,841,976 at December 31, 2007 and 2006, respectively.

The Bank classifies deposit overdrafts as other consumer loans which totaled $415 thousand at December 31, 2007 and $64 thousand at December 31, 2006.

In the normal course of business, the Company has received deposits from directors and executive officers. At December 31, 2007 and 2006, deposits from directors and executive officers were approximately $12.4 million and $11.9 million. All such deposits were received in the ordinary course of business on substantially the same terms and conditions, including interest rates, as those prevailing at the same time for comparable transactions with unrelated persons.

Note 7 – FHLB advances, securities sold under repurchase agreements and federal funds purchased

The Company uses both short-term and long-term borrowings to supplement deposits when they are available at a lower overall cost to the Company or they can be invested at a positive rate of return.

As a member of the Federal Home Loan Bank of Atlanta, the Company is required to own capital stock in the FHLB and is authorized to apply for advances from the FHLB. Each FHLB credit program has its own interest rate, which may be fixed or variable, and range of maturities. The FHLB advances are secured by the pledge of FHLB stock and a blanket lien on qualified 1 to 4 family residential real estate loans and a blanket lien on qualified commercial mortgages.

Advances from the FHLB at December 31, 2007 consist of the following:

Advance Amount	Interest Rate	Maturity	Call Provision
$5,000,000	3.95%	4/13/2015	4/14/2008
5,000,000	4.20%	8/27/2012	8/27/2008
5,000,000	4.01%	9/28/2012	9/28/2008
5,000,000	4.50%	12/1/2011	12/1/2008
5,000,000	2.95%	12/6/2017	12/8/2008
5,000,000	4.27%	1/27/2016	1/27/2009
5,000,000	4.52%	3/6/2012	3/6/2009
5,000,000	3.71%	6/24/2015	6/24/2010
$40,000,000	4.01%		

Note 7 – FHLB advances, securities sold under repurchase agreements and federal funds purchased (concluded)

Aggregate annual maturities of FHLB advances (based on final maturity dates) are as follows:

2011	$5,000,000
2012	15,000,000
2015	10,000,000
2016	5,000,000
2017	5,000,000
	$40,000,000

The Bank has outstanding securities sold under repurchase agreements. These agreements are generally corporate cash management accounts for the Bank's larger corporate depositors. These agreements are settled on a daily basis and the securities underlying the agreements remain under the Bank's control.

The Company uses federal funds purchased for short-term borrowing needs. Federal funds purchased represent unsecured and borrowings secured with securities from other banks and generally mature daily.

	2007	2006
Maximum outstanding during the year		
FHLB advances	$46,000,000	$39,000,000
Federal funds purchased	16,375,000	14,716,000
Repurchase agreements	2,696,401	3,090,798
Balance outstanding at end of year		
FHLB advances	40,000,000	30,000,000
Federal funds purchased	9,261,000	6,026,000
Repurchase agreements	2,102,939	1,667,064
Average amount outstanding during the year		
FHLB advances	28,704,110	25,871,233
Federal funds purchased	1,574,501	1,861,260
Repurchase agreements	1,940,445	1,060,508
Average interest rate during the year		
FHLB advances	4.23%	3.94%
Federal funds purchased	5.01%	5.05%
Repurchase agreements	4.15%	4.33%
Average interest rate at end of year		
FHLB advances	4.01%	3.94%
Federal funds purchased	1.88%	5.35%
Repurchase agreements	3.11%	4.83%

Note 8 – Subordinated debt

On December 15, 2005, $2.0 million of subordinated debt was issued through a pooled underwriting. The securities have a fixed rate for five years and is payable quarterly. The interest rate at December 31, 2007 was 6.33%. The securities may be redeemed at par beginning December 2010 and each quarter after such date until the securities mature on December 31, 2015.

The Subordinated Debt may be included in Tier 2 capital for regulatory capital adequacy determination purposes up to 50% of Tier 1 capital.

Note 9 – Trust Preferred Securities

On September 9, 2006, FCRV Statutory Trust (the "Trust"), a wholly-owned subsidiary of the Company, was formed for the purpose of issuing redeemable capital securities. On September 21, 2006, $5,155,000 of Trust Preferred Capital Notes were issued through a pooled underwriting. The Trust issued $155,000 in common equity to the Company. The securities have a LIBOR-indexed floating rate of interest (three-month LIBOR plus 1.70%) which adjusts, and is payable quarterly. The interest rate at December 31, 2007 was 6.69%. The securities may be redeemed at par beginning on September 15, 2011 and each quarter after such date until the securities mature on September 15, 2036. The principal asset of the Trust is $5,155,000 of the Company's junior subordinated debt securities with like maturities and like interest rates to the Trust Preferred Capital Notes.

The trust preferred securities issued by the Company may be included in Tier 1 capital for regulatory adequacy determination purposes up to 25% of Tier 1 capital after its inclusion. The portion of the trust preferred securities, not considered as Tier 1 capital, may be included in Tier 2 capital.

The obligations of the Company with respect to the issuance of the Trust Preferred Capital Notes constitute a full and unconditional guarantee by the Company of the Trust's obligations with respect to the Trust Preferred Capital Notes. Subject to certain exceptions and limitations, the Company may elect from time to time to defer interest payments on the junior subordinated debt securities, which would result in a deferral of distribution payments on the related Trust Preferred Capital Notes and require a deferral of common dividends.

Pursuant of FASB Interpretation No. 46R, the Company does not consolidate the Trust.

Note 10 - Income taxes

In 2006, the FASB issued Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes – an Interpretation of SFAS No. 109." FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 also prescribes a recognition threshold and measurement of a tax position taken or expected to be taken in an enterprise's tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. Accordingly, the Company adopted FIN 48 effective January 1, 2007. The adoption of FIN 48 did not have any impact on the Company's financial position.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the amounts reported for income tax purposes. Significant components of the Company's deferred income tax liabilities and assets are as follows:

Note 10 - Income taxes (concluded)

	2007	2006
Deferred tax assets:		
Allowance for loan losses	$747,846	$536,328
Unrealized holding loss on available-for-sale securities	18,593	160,005
	766,439	696,333
Deferred tax liabilities:		
Depreciation	166,657	164,050
Deferred loan costs	262,295	202,494
Prepaids	14,692	21,286
Other	3,698	-
	447,342	387,830
Net deferred tax asset	$319,097	$308,503

A reconciliation of the federal taxes at statutory rates to the tax provision for the year ended December 31, 2007 and 2006 is as follows:

	2007	2006
Federal statutory rate (34%)	$906,746	$806,554
Tax-exempt interest income	(11,490)	(13,959)
Nondeductible expenses	28,899	6,715
Miscellaneous	745	1,690
Provision for income taxes expense	$924,900	$801,000

Income tax attributable to income before income tax expense is summarized as follows:

	2007	2006
Current federal income tax expense	$1,087,244	$895,626
Deferred federal income tax expense	(162,344)	(94,626)
Total	$924,900	$801,000

Note 11 - Related party transactions

In the normal course of business, the Company has made loans to its officers and directors. Total loans at December 31, 2007 amounted to approximately $11,831,018 (including a $1,250,000 loan made to a director in 2002, prior to becoming a director in 2004 and a $50,000 loan made to an officer prior to becoming an employee in 2005) of which approximately $1,800,390 represents unused lines of credit. Total loans to these persons at December 31, 2006 amounted to $9,206,114 of which $1,695,651 represented unused lines of credit. During 2007, new loans to officers and directors amounted to $3,265,076 and repayments amounted to $744,911. In the opinion of management, such loans are consistent with sound banking practices and are within applicable regulatory bank lending limitations.

During the years ended December 31, 2007 and 2006, the Company utilized the services of a law firm for

Note 11 - Related party transactions (concluded)

advice on various legal matters. The Chairman of the Board of Directors is also a principal in this law firm. The law firm was approved to provide various legal services to the Company at a cost of $128,450 and $60,824 for the years ended December 31, 2007 and 2006, respectively.

The Company also utilized services of other businesses to acquire office space, furniture and office supplies. Several Board members are involved with the daily activity of these businesses. Total purchases for the years ended December 31, 2007 and 2006 were $46,118 and $22,628, respectively.

Note 12 - Regulatory requirements and restrictions

The Company is subject to various federal and state regulatory requirements, including regulatory capital requirements administered by the federal banking agencies to ensure capital adequacy. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

The most recent notification from the regulatory agencies categorized the Bank's capital position as well-capitalized, and meets the definition of well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company must maintain minimum total risk-based, Tier 1 risk-based, Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed this category.

The Company's actual capital amounts and ratios are also presented in the table.

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
As of December 31, 2007						
Total capital to risk weighted assets						
Consolidated	$44,540	14.44%	$24,681	8.00%	$30,851	10.00%
First Capital Bank	$37,041	12.01%	$24,669	8.00%	$30,836	10.00%
Tier 1 capital to risk weighted assets						
Consolidated	$40,051	12.98%	$12,340	4.00%	$18,511	6.00%
First Capital Bank	$32,552	10.56%	$12,334	4.00%	$18,502	6.00%
Tier 1 capital to average adjusted assets						
Consolidated	$40,051	12.50%	$12,815	4.00%	$16,018	5.00%
First Capital Bank	$32,552	10.12%	$12,867	4.00%	$16,083	5.00%

Note 12 - Regulatory requirements and restrictions (concluded)

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
As of December 31, 2006						
Total capital to risk weighted assets						
Consolidated	$24,959	12.28%	$16,261	8.00%	$20,326	10.00%
First Capital Bank	$24,402	12.01%	$16,241	8.00%	$20,301	10.00%
Tier 1 capital to risk weighted assets						
Consolidated	$21,125	10.39%	$8,130	4.00%	$12,195	6.00%
First Capital Bank	$20,568	10.13%	$8,120	4.00%	$12,181	6.00%
Tier 1 capital to average adjusted assets						
Consolidated	$21,125	8.80%	$9,606	4.00%	$12,007	5.00%
First Capital Bank	$20,568	8.50%	$9,679	4.00%	$12,099	5.00%

The amount of dividends payable by the Company depends upon its earnings and capital position, and is limited by federal and state law, regulations and policy. In addition, Virginia law imposes restrictions on the ability of all banks chartered under Virginia law to pay dividends. Under such law, no dividend may be declared or paid that would impair a bank's paid-in capital. Each of the Commission and the FDIC has the general authority to limit dividends paid by the Bank if such payments are deemed to constitute an unsafe and unsound practice.

Note 13 - Commitments and contingent liabilities

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers in the Richmond metropolitan area. These financial instruments include unused lines of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the statement of financial condition. Financial instruments with off-balance-sheet risk are summarized as follows:

	2007	2006
Financial instruments whose contract amounts represent credit risk:		
Unused commercial lines of credit	$104,545,729	$72,265,492
Unused consumer lines of credit	11,711,242	8,016,853
Standby and Performance Letters of Credit	8,799,300	3,478,112
Loan commitments	22,317,500	38,169,398
	$147,373,771	$121,929,855

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for unused lines of credit is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for

Note 13 - Commitments and contingent liabilities (concluded)

on-balance-sheet instruments.

Unused lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include personal property, commercial property, residential property, land, and accounts receivable.

Note 14 - Concentration of credit risk

The Company has a diversified loan portfolio consisting of commercial, real estate and consumer (installment) loans. Substantially all of the Company's customers are residents or operate business ventures in its market area consisting primarily of the Richmond metropolitan area. Therefore, a substantial portion of its debtors' ability to honor their contracts and the Company's ability to realize the value of any underlying collateral, if needed, is influenced by the economic conditions in this market area.

At times, cash balances at financial institutions are in excess of FDIC insurance coverage. The cash balances are maintained at financial institutions with high credit - quality ratings and the Bank believes no significant risk of loss exists with respect to those balances.

Note 15 – Disclosures about fair value of financial instruments

The following methods and assumptions were used by the Company in estimating fair values of financial instruments as disclosed herein:

Cash and due from banks – The carrying amounts of cash and due from banks approximate their fair value.

Available-for-sale securities – Fair values for securities, excluding restricted equity securities, are based on quoted market prices. The carrying values of restricted equity securities approximate fair values.

Loans receivable – Fair values are based on carrying values for variable-rate loans that reprice frequently and have no significant change in credit risk. Fair values for certain mortgage loans (for example, one-to-four family residential) and other consumer loans are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics. Fair values for commercial real estate and commercial loans are estimated using discounted cash flow analyses and interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The interest rates on loans at December 31, 2007 and 2006 are current market rates for their respective terms and associated credit risk.

Deposit liabilities – The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts approximate their fair values at the reporting date. Fair values for fixed-rate CDs are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Accrued interest – The carrying amounts of accrued interest approximate their fair values.

Advances from Federal Home Loan Bank – The carrying value of advances from the Federal Home Loan

Note 15 – Disclosures about fair value of financial instruments (concluded)

Bank due within ninety days from the balance sheet date approximate fair value. Fair values for convertible advances are estimated using a discounted cash flow calculation that applies interest rates currently being offered on convertible advances with similar remaining maturities.

Federal Funds purchased and repurchase agreements – The carrying value of federal funds purchased and repurchase agreements due within ninety days from the balance sheet date approximate fair value.

Off-balance-sheet instruments – Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and counterparties' credit standings. These are not deemed to be material at December 31, 2007 and 2006.

The estimated fair values of the Company's financial instruments as of December 31, 2007 and 2006 are as follows:

	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in thousands)			
Financial assets				
Cash and cash equivalents	$ 16,780	$ 16,780	$ 12,032	$ 12,032
Investment securities	32,825	32,825	38,731	38,731
Loans receivable, net	294,234	293,028	199,751	199,330
Accrued interest	1,808	1,808	1,425	1,425
Financial liabilities				
Deposits	$ 255,108	$ 255,313	$ 194,302	$ 194,004
FHLB advances	40,000	40,122	30,000	29,508
Federal funds purchased	9,261	9,261	6,026	6,026
Subordinated debt	7,155	7,318	7,155	7,119
Repurchase agreements	2,103	2,103	1,667	1,667
Unrecognized financial instruments				
Standby letters of credit issued	$ -	$ -	$ -	$ -

Note 16 – Stock option plan

The Company has a First Capital Bancorp, Inc. 2000 Stock Option Plan (the Plan) pursuant to which options may be granted to Directors, officers and key employees. The Plan authorizes grants of options to purchase up to 338,484 shares of the Company's authorized, but unissued common stock. All stock options have been granted with an exercise price equal to the stock's fair market value at the date of grant. Stock options generally have 10-year terms, vest at the rate of 50 percent per year for Directors and 33 1/3 percent per year for employees. In December 2005, the Board of Directors approved the acceleration of vesting of all unvested stock options outstanding prior to December 31, 2005.

A summary of the status of the Company's unvested stock options as of December 31, 2007 and changes during the year then ended is presented below:

Note 16 – Stock option plan (continued)

Unvested Stock Options	Shares	Weighted Average Grant Date Fair Value
Unvested at January 1, 2007	6,000	$7.59
Granted	62,275	5.06
Vested	7,258	7.29
Forfeitures	-	-
Unvested at December 31, 2007	61,017	$5.06

As of December 31, 2007, there was $276,107 of total unrecognized compensation costs related to unvested stock options. That cost is expected to be recognized over a period of 1.79 years.

The weighted-average option price and weighted-average remaining term of stock options awarded and not exercised were as follows as of December 31:

	2007	2006
Weighted-average price	$10.25	$9.02
Weighted-average term (in years)	6.17	6.20

A summary of the stock option activity is as follows:

	Options	Weighted-Average Exercise Price
Balance at January 1, 2006	205,875	$8.74
Granted	6,000	$18.50
Options outstanding December 31, 2006	211,875	$9.02
Granted	62,275	$14.51
Exercised	2,250	$10.67
Options outstanding December 31, 2007	271,900	$10.25

The following table summarizes information about stock options outstanding as December 31, 2007:

Note 16 – Stock option plan (concluded)

	Options Outstanding and Exercisable		
Exercise Prices	Number Outstanding and Exercisable at December 31, 2007	Weighted - Average Remaining Contractual Life	Weighted - Average Exercise Price
\$5.32 to \$7.00	84,750	3.4 years	\$6.20
\$7.07 to \$10.00	83,250	5.8 years	\$9.45
\$10.57 to \$18.50	103,900	8.7 years	\$14.18
	271,900		

The aggregate intrinsic value of options outstanding was approximately \$3.1 million, options exercisable was approximately \$2.4 million, and options unvested and expected to vest was approximately \$704,700 at December 31, 2007.

The Company estimates the fair value of each option grant on the date of the grant using the Black-Scholes option-pricing model. Additional valuation and related assumption information for the Company's stock option plan is presented below:

	Year Ended December 31,	
	2007	2006
Weighted average per share fair value of options granted during the year	\$5.06	\$7.59
Dividend yield	0.00%	0.00%
Expected life	6 years	6 years
Expected volatility	24.52%	31.96%
Average Risk-free interest rate	4.53%	4.96%

Note 17 – Other employee benefit plans

During April 1999, the Company instituted a contributory thrift plan through the Virginia Bankers Association, covering all eligible employees. Participants may make contributions to the plan during the year, with certain limitations. During 2007 and 2006, the Company contributed to the plan an amount equal to seventy-five percent of the first six percent contributed. The participants are 100% vested upon three years of service to the Company. Expenses amounted to \$127,073 and \$91,252 in 2007 and 2006, respectively.

Note 18 – Earnings per share

Basic EPS excludes dilution and is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. *Diluted* EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, or resulted in the issuance of common stock that then shared in the earnings of the entity.

Note 18 – Earnings per share (concluded)

The basic and diluted earnings per share calculations are as follows:

	Twelve Months Ended December 31,	
	2007	2006
Net income (numerator, basic and diluted)	$1,742,001	$1,571,219
Weighted average number of shares outstanding (denominator)	2,414,323	1,796,021
Earnings per common share - basic	$0.72	$0.87
Effect of dilutive securities:		
Weighted average number of shares outstanding	2,414,323	1,796,021
Effect of stock options	56,375	92,731
Diluted average shares outstanding (denominator)	2,470,698	1,888,752
Earnings per common share - assuming dilution	$0.71	$0.83

Note 19 – Impact of Recently Issued Accounting Standards

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations (revised 2007)." SFAS No. 141R improves reporting by creating greater consistency in the accounting and financial reporting of business combinations, resulting in more complete, comparable, and relevant information for investors and other users of financial statements. To achieve this goal, the new standard requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first fiscal year that commences after December 15, 2008.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements." SFAS No. 160 improves the relevance, comparability, and transparency of financial information provided to investors by requiring all entities to report noncontrolling (minority) interests in subsidiaries in the same way—as equity in the consolidated financial statements. In addition, SFAS No.160 eliminates the diversity that currently exists in accounting for transactions between an entity and noncontrolling interests by requiring that they be treated as equity transactions. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008 and is not expected to have a material impact on the Company's financial condition or results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115." SFAS No. 159 provides companies with the option of electing fair value as an alternative measurement for most financial assets and liabilities. It also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 requires companies to provide additional information that will help investors and other users of

Note 19 – Impact of Recently Issued Accounting Standards (continued)

financial statements to more easily understand the effect of a company's choice to use fair value on its earnings. It also requires entities to display the fair value of those assets and liabilities for which the company has chosen to use fair value on the face of the balance sheet. Under SFAS No. 159, fair value is used for both the initial and subsequent measurement of the designated assets and/or liabilities, with the changes in value recognized in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company did not elect early adoption of SFAS No. 159, which was permitted as of the beginning of its 2007 fiscal year.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which, among other things, defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. SFAS No. 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, SFAS No. 157 establishes a three-level fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets;
- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in SFAS No. 157. The three valuation techniques are identified below. Where more than one technique is noted, individual assets or liabilities are valued using one or more of the noted techniques. The valuation techniques are as follows:

- Market approach. Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach. The amount that would be required to replace the service capacity of an asset (replacement cost).
- Income approach. Techniques to convert future amounts to a single present amount based on market expectations (including present-value techniques, option pricing, and excess earnings models).

SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and for interim periods within those fiscal years. The provisions of SFAS No. 157 are to be applied prospectively as of the beginning of the fiscal year in which it is initially applied, except in limited circumstances. The Company does not anticipate that the adoption of SFAS No. 157 on January 1, 2008 will have a material impact on its financial condition or results of operations, although additional fair value disclosures will be provided. The portion of the Company's assets and liabilities with fair values based on unobservable inputs is not significant.

On November 5, 2007, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 109, "Written Loan Commitments Recorded at Fair Value Through Earnings" (SAB 109). SAB 109 requires that the expected net future cash flows related to servicing of a loan be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. The adoption of SAB 109 is on a prospective basis and effective for the Corporation's loan commitments measured at fair value through earnings which are issued or modified after January 1, 2008. The adoption of

Note 19 – Impact of Recently Issued Accounting Standards (concluded)

SAB 109 is not expected to have a material impact on the Corporation's financial condition and results of operations.

Note 20 – Subsequent Events

On January 11, 2008, the Company closed on approximately .83 acres at the intersection of West Broad Street and Dominion Boulevard in Henrico County as a replacement for its Innsbrook Branch. The total purchase price was $1,507,900. On January 31, 2008, the Company entered into an agreement to purchase approximately 1.18 acres near the intersection of Route 288 and Midlothian Turnpike in Chesterfield County as a future branch site. The total purchase price is $1,875,000 with a closing scheduled for March 2008.

Note 21 – Condensed Financial Information – Parent Company Only

FIRST CAPITAL BANCORP, INC.
(Parent Corporation Only)

Statements of Financial Condition
December 31, 2007 and 2006

	2007	2006
Assets		
Cash on deposit with subsidiary bank	$7,433,183	$366,640
Investment is subsidiary	32,515,697	20,256,983
Investment is special purpose subsidiary	155,000	155,000
Other assets	341	50,656
	$40,104,221	$20,829,279
Liabilities and Stockholder's Equity		
Trust preferred debt	$5,155,000	$5,155,000
Other liabilities	90,163	15,164
Total liabilities	5,245,163	5,170,164
Stockholders' Equity		
Common stock	11,884,684	7,184,084
Additional paid-in capital	18,492,528	6,010,352
Accumulated other comprehensive (loss)	(36,432)	(311,598)
Retained earnings	4,518,278	2,776,277
Total stockholders' equity	34,859,058	15,659,115
	$40,104,221	$20,829,279

Note 21 – Condensed Financial Information – Parent Company Only (continued)

FIRST CAPITAL BANCORP, INC.
(Parent Corporation Only)

Statement of Income
Year Ended December 31, 2007 and 2006

	2007	2006
Income		
Interest income	$123,629	$ -
Dividends	11,170	3,051
Total Income	134,799	3,051
Expenses		
Interest	373,446	101,460
Legal	2,625	42,659
Other expenses	143	7,000
Total Expenses	376,214	151,119
Net loss before tax benefit	(241,415)	(148,068)
Income tax benefit	81,800	50,200
Net loss before undistributed equity in subsidiary	(159,615)	(97,868)
Undistributed equity in subsidiary	1,901,616	1,669,087
Net income	$1,742,001	$1,571,219

Note 21 – Condensed Financial Information – Parent Company Only (concluded)

FIRST CAPITAL BANCORP, INC.
(Parent Corporation Only)

Statement of Cash Flows
For the Years Ended December 31, 2007 and 2006

	2007	2006
Cash Flows from Operating Activities		
Net income	$1,742,001	$1,571,219
Adjustments to reconcile net income to net cash provided by operating activities		
Undistributed earnings of subsidiary	(1,901,616)	(1,669,087)
Decrease (increase) in other assets	50,315	(50,656)
Increase in other liabilities	74,998	15,164
Net cash used in operations	(34,302)	(133,360)
Cash Flows from Investing Activities		
Investment in FCRV Statutory Trust 1	-	(155,000)
Stock offering proceeds, net of related expenses	17,076,845	-
Exercise of stock options	24,000	-
Capital contribution to subsidiary	(10,000,000)	(4,500,000)
Net cash from (used) in investing activities	7,100,845	(4,655,000)
Cash Flows from Financing Activities		
Proceeds for issuance of subordinated debt	-	5,155,000
Net cash provided by financing activities	-	5,155,000
Net increase in cash	7,066,543	366,640
Cash and cash equivalents, beginning of year	366,640	-
Cash and cash equivalents, end of year	$7,433,183	$366,640

First Capital Bancorp, Inc.

...Where People Matter

Brian Lange

Jessica Scimone

Missy McGhee

Our Mission Statement...

Where People Matter!

Our Core Values...

To Nurture our Clients,

Reward our Shareholders,

Inspire our Employees and

Embrace our Community.

At First Capital Bank, whether you're a customer, shareholder or employee, we accomplish this through our dedication to One Simple Principle...

People Matter!

First Capital Bancorp Inc.

END

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